LEGISLATIVE HISTORY

Public Law 371--79th Congress

Chapter 244--2d Session

H. R. 5856

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DIGEST OF PUBLIC LAW 371

PHILIPPINE TRADE ACT OF 1946. Provides free entry for all Philippine articles from approval of this act until July 3, 1954. Provides that, beginning then, such articles will become subject to graduated duties. Makes all imports from the Philippines subject to the world rate after July 3, 1974. Imposes the following absolute quotas on imports from the Philippines from 1946 until 1974: Sugar, 952,000 short tons; cordage, 6,000,000 pounds; rice, 1,040,000 pounds; cigars, 200,000,000; scrap and filler tobacco, 6,500,000 pounds; coconut oil, 200,000 long tons. In addition to these quotas, diminishing duty-free quotas would be imposed on cigars, scrap and filler tobacco, and coconut oil. Permits the President to impose quotas on other Philippine articles if they are coming or are likely to come into substantial competition with similar U. S. articles. Provides for nondiscriminatory tax treatment by each country with respect to imports received from the other. Provides for assurances by the Philippines that American citizens or enterprises operating in the Philippines shall not be discriminated against in development and utilization of natural resources and public utilities. Authorizes an executive agreement to be entered into between the Presidents of the U. S. and the Philippines to take effect upon enactment by Congress and the Philippine legislature of appropriate provisions. Permits termination of such agreement by either country on 5 years' notice, or upon 6 months' notice if either country adopts or applies measures or practices which would nullify or impair any right or obligation provided for in the agreement. Authorizes termination of the agreement under certain other possibilities of noncompliance.

INDEX AND SUMMARY OF HISTORY ON H. R. 5856

September 25, 1945	H. R. 4185 introduced by Rep. Bell and was referred to the House Committee on Ways and Means. Print of the bill as introduced. (Companion bill)
October 15, 1945	Hearings: House, H. R. 4185, H. R. 5676, and H. R. 5185.
November 14, 1945	H. R. 4676 introduced by Rep. Bell and was referred to the House Committee on Ways and Means. Print of the bill as introduced. (Companion bill)
January 21, 1946	H. R. 5185 introduced by Rep. Bell and was referred to the House Committee on Ways and Means. Print of the bill as introduced. (Companion bill).
March 25, 1946	H. R. 5856 introduced by Rep. Bell and was referred to the House Committee on Ways and Means. Print of the bill as introduced.
March 26, 1946	House Committee reported H. R. 5856 without amendments. House Report 1821. Print of the bill as reported.
March 27, 1946	House Rules Committee reported House Resolution 572 for the consideration of H. R. 5856. House Report 1825.
March 28, 1946	House began debate on H. R. 5856.
March 29, 1946	Debate concluded. Passed House with amendments.
April 1, 1946	H. R. 5856 referred to the Senate Committee on Finance. Print of the bill as referred.
April 2, 1946	Hearings: Senate, H. R. 5856.
April 10, 1946	Senate Committee on Finance reported H. R. 5856 with amendments. Senate Report 1145. Print of the bill as reported.
April 12, 1946	Senate debated H. R. 5856. Passed as reported.
April 15, 1946	House and Senate conferees appointed.
April 17, 1946	Both Houses received Conference Report. House Report 1955. Senate agreed to Conference Report.
April 18, 1946	House agreed to Conference Report.
April 30, 1946	Approved. Public Law 371.

79TH CONGRESS
1ST SESSION

H. R. 4185

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 25, 1945

Mr. BELL introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide for future trade relations between the United States and the Philippine Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That during the period of twenty years beginning January 1, 1946, trade relations between the United States and the Philippine Islands shall be as provided in section 301, title III, of the United States Tariff Act of 1930, subject only to the exceptions and provisions set forth in this Act.

SEC. 2. The total amount of all Philippine sugars coming into the United States which may be entered or withdrawn from warehouse, for consumption in any calendar year, shall not exceed eight hundred and fifty thousand long

tons, net commercial weight, of which not to exceed fifty thousand long tons, net commercial weight, may be refined sugars: *Provided,* That the quota for unrefined sugars, including that required to manufacture the refined sugars, established by this section shall be allocated annually to the sugar-producing mills in the Philippine Islands whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their average annual production for the calendar years 1931, 1932, and 1933, and the amount of sugar from each mill which may be so exported shall be allocated in each year between the mill and the planters on the basis of the proportion of sugar to which the mill and the planters are respectively entitled: *And provided, further,* That the quota for refined sugars established by this section shall be allocated annually to the manufacturers in the Philippine Islands of refined sugar whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 3. The total amount of all Philippine cordage coming into the United States which may be entered or withdrawn from warehouse, for consumption in any calendar year shall not exceed six million pounds, net commercial weight: *Provided,* That the quota for cordage established

in this section shall be allocated annually to the manufacturers in the Philippine Islands of cordage whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 4. The total amount of all Philippine coconut oil coming into the United States which may be entered or withdrawn from warehouse, for consumption in any calendar year, shall not exceed two hundred thousand long tons, net commercial weight: *Provided,* That the quota for coconut oil established in this section shall be allocated annually to the manufacturers in the Philippine Islands of coconut oil whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940: *And provided further,* That all coconut oil exported from the Philippine Islands to the United States shall be rendered unfit for use as food or for the manufacture of edible products by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him.

SEC. 5. The total number of all Philippine cigars, including cigarettes, cheroots of all kinds, and paper cigars and cigarettes coming into the United States which may be entered or withdrawn from warehouse, for consumption

in any calendar year, shall not exceed two hundred million: *Provided,* That the quota for cigars established in this section shall be allocated annually to the manufacturers in the Philippine Islands of cigars whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 6. The total amount of all scrap tobacco and stemmed and unstemmed filler tobacco described in paragraph 602 of the United States Tariff Act of 1930 coming into the United States which may be entered or withdrawn from warehouse, for consumption in any calendar year, shall not exceed six million five hundred thousand pounds, net commercial weight: *Provided,* That the quota for scrap tobacco and stemmed and unstemmed filler tobacco established in this section shall be allocated annually to the exporters in the Philippine Islands of such tobacco during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 7. The total amount of all Philippine buttons of pearl or shell coming into the United States which may be entered or withdrawn from warehouse, for consumption in any year, shall not exceed eight hundred and fifty thousand gross: *Provided,* That the quota for buttons of pearl or shell established in this section shall be allocated annually to the

manufacturers in the Philippine Islands of buttons of pearl or shell whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 8. The total amount of all Philippine embroideries coming into the United States which may be entered or withdrawn from warehouse, for consumption in any year, shall not exceed the number of pounds, net weight, of Philippine embroideries which came into the United States and were entered or withdrawn from warehouse, for consumption during the calendar year 1940 as may be determined by the Secretary of the Treasury: *Provided*, That the quota for embroideries established in this section shall be allocated annually to the exporters in the Philippine Islands of embroideries during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 9. On or after January 1, 1948, the Congress may establish quotas for Philippine articles other than those for which quotas are established in this Act, which may come into substantial competition with like United States articles: *Provided*, That the United States Tariff Commission shall find after due investigation and hearings that the cost of production of the Philippine article is 20 per centum or more

below the cost of production of the United States article: *Provided further,* That no quota established under this section shall be less than the total amount of the article for which the quota may be established coming into the United States during the twelve months immediately preceding the date upon which the United States Tariff Commission began the investigation under the provisions of this section: *And provided further,* That the Congress shall provide for the allocation of quotas established under the provisions of this section.

SEC. 10. During the first nine months of any calendar year, the holder of any allotment under any of the quotas established by or under the terms of this Act whose facilities for production, manufacture, or export have been impaired by reason of war, invasion, fire, flood, tornado, or other casualty may transfer or assign all or any amount of his annual allotment on such terms as may be agreeable to the parties in interest. If, after the first nine months of any calendar year, the holder of any allotment under any of the quotas established by or under the terms of this Act, is or will be unable for any reason to export to the United States by the end of the calendar year all of his allocation for that year, that amount of such allotment which it is established by sufficient evidence cannot be exported to the United States during the remainder of the calendar year

may be reallocated to other holders of allotments under the same quota: *Provided*, That no transfer or assignment or reallocation under the provisions of this section shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

SEC. 11. No processing tax or other internal-revenue tax shall be imposed or collected in the United States on Philippine coconut oil, nor on coconut oil expressed or extracted in the United States from Philippine copra which has been rendered unfit for use as food or for the manufacture of edible products, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him.

SEC. 12. No processing tax or other internal-revenue tax shall be imposed or collected in the United States on Manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 13. No rate or processing tax or other internal-revenue tax imposed or collected by the United States Government on articles imported from the Philippine Islands, or by the Philippine Government on articles imported from the United States, shall exceed the rates imposed and collected on such articles on November 30, 1941.

SEC. 14. The Philippine Government shall not impose or collect any processing tax or other internal-revenue tax

on articles imported into the Philippine Islands by or for the official use of the United States Government, or any Department or agency thereof, and the United States Government shall not impose or collect any processing tax or other internal-revenue tax on articles imported into the United States for the official use of the Philippine Government or any department or agency thereof.

SEC. 15. The Philippine Government shall not impose or collect on any article imported from any country other than the United States a lower rate of import duty than the United States duty on like articles, or the Philippine duty on like articles, whichever is the lower.

SEC. 16. No export tax shall be imposed or collected by the United States Government on articles exported to the Philippine Islands nor by the Philippine Government on articles exported to the United States.

SEC. 17. Notwithstanding any existing provision of the constitution and statutes of the Philippine Government, citizens and corporations of the United States shall enjoy in the Philippine Islands during the period of the validity of this Act, or any extension thereof by statute or treaty, the same rights as to property, residence, and occupation as citizens of the Philippine Islands. Such rights shall include rights to acquire land of the public domain, to acquire grazing, forestry, fishing, and mineral rights, and to engage in

the ownership and operation of public utilities, and all such rights shall be acknowledged, respected, and safeguarded to the same extent as the same rights of citizens of the Philippine Islands.

SEC. 18. The United States Government shall accord to citizens of the Philippine Islands and the Philippine Government shall accord to citizens of the United States privileges of immigration and naturalization not less favorable than the same privileges accorded by them to any other nation: *Provided*, That any citizen of the Philippine Islands who resided in the United States or was domiciled therein for three years prior to November 30, 1941, shall be considered a legal resident of the United States: *And provided further*, That any citizen of the United States who resided in the Philippine Islands or was domiciled therein, for three years prior to November 30, 1941, shall be considered a legal resident of the Philippine Islands.

SEC. 19. During the period of the validity of this Act, or any extension thereof by statute or treaty, the currency of the Philippine Government shall be as now provided by law, except that for the purpose of computing the ratio of the Exchange Standard Fund to the money of the Philippine Government in circulation and available for circulation, treasury certificates shall not be included as money in circulation and available for circulation.

SEC. 20. Neither the United States Government nor the Philippine Government shall impose any restrictions on exchange between the two countries, nor otherwise effect barriers to trade and financial negotiations between the United States and the Philippine Islands by unusual regulations respecting currency and banking transactions.

SEC. 21. (a) The President of the United States is authorized to enter into an executive agreement with the President of the Philippine Islands containing such provisions as will have the effect of continuing, after the independence of the Philippine Islands has been proclaimed and until January 1, 1967, trade relations between the United States and the Philippine Islands on the same basis as is provided in sections 1 to 20, both inclusive, of this Act. The agreement shall provide that it may be terminated by either party on not less than two years' notice.

(b) No third country (including Cuba) shall be entitled to any benefits granted to the Philippine Islands under this Act or under any agreement made pursuant to this section, and no agreement shall be made with the Philippine Islands under section 351, as amended, of the Tariff Act of 1930.

(c) If (1) the agreement provided for in this section has not been entered into and ratified by the Congress of the Philippine Government within such time after the inde-

pendence of the Philippine Islands has been proclaimed as the President may determine to be reasonable, or (2) the agreement entered into under this section is terminated by either party, the President shall proclaim such fact, and thereafter the provisions of this Act shall cease to be in effect.

SEC. 22. (a) As used in this Act—

(1) The term "United States", when used in a geographical sense, but not the term "continental United States", includes all Territories and possessions of the United States, other than the Philippine Islands.

(2) The term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the United States Tariff Act of 1930), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila cable, tarred or untarred, wholly ori n chief value of Manila (abaca) or other hard fiber.

(3) The term "Philippine Government" means the Government of the Commonwealth of the Philippine Islands or the Government of the Republic of the Philippines.

(4) The term "United States duty", as used in section 15 of this Act, means the lowest rate of ordinary customs duty in effect at the time of the shipment of the article concerned from the Philippines and applicable to like articles imported into the continental United States from any for-

eign country, except Cuba, or when more than one rate of ordinary customs duty is applicable to such like articles, the aggregate of such rates.

(5) The term "refined sugars" possesses the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(6) The term "Philippine article" means an article the growth, produce, or manufacture of the Philippines, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 per centum of the total value of such article was used and which is brought into the United States from the Philippines.

(7) The term "United States article" means an article the growth, produce, or manufacture of the United States, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 per centum of the total value of such article was used and which is brought into the Philippines from the United States.

(8) The term "Philippine import duty" as used in section 15 of this Act means the lowest rate of ordinary customs duty in effect at the port of arrival, at the time of entry, or withdrawal from warehouse, for consumption of the article concerned, and applicable to like articles imported into the Philippine Islands from any country other than the United States, by the Philippine Tariff Act of 1909 as amended to

November 30, 1941, or when more than one rate of ordinary customs duty is applicable to such like articles, the aggregate of such rates.

(b) As used in subsection (a) of this section—

(1) the terms "includes" and "including" shall not be deemed to exclude other things otherwise within the meaning of the term defined;

(2) the term "ordinary customs duty" shall not include any import duty or charge which is imposed to compensate for an internal tax imposed in respect of a like domestic article or in respect of a commodity from which the imported article has been manufactured or produced in whole or in part.

SEC. 23. This Act may be cited as the "Philippine Trade Act of 1945".

79th CONGRESS
1st Session

H. R. 4185

A BILL

To provide for future trade relations between the United States and the Philippine Islands.

By Mr. Bell

September 25, 1945

Referred to the Committee on Ways and Means

79TH CONGRESS
1ST SESSION

H. R. 4676

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 14, 1945

Mr. BELL introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide for future trade relations between the United States and the Philippine Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That during the period of eight years beginning July 4, 1946, trade relations between the United States and the Philippine Islands shall be as provided in section 301, title III, of the United States Tariff Act of 1930, subject only to the exceptions and provisions set forth in this Act.

SEC. 2. During the period commencing with July 4, 1954, and ending July 3, 1979, an exclusively preferential duty equal to 4 per centum of the United States duty shall be levied, collected, and paid in the United States

on Philippine articles entered, or withdrawn from warehouse, for consumption, except as otherwise hereinafter specifically provided. During the same period, an exclusively preferential duty equal to 4 per centum of the Philippine duty shall be levied and paid in the Philippine Islands on American articles entered, or withdrawn from warehouse, for consumption. On each succeeding July 4 thereafter these preferential rates of duty shall be progressively increased by an additional 4 per centum of the United States import duty and of the Philippine import duty, respectively. No third country, including Cuba, shall be entitled to any benefits arising under this agreement.

SEC. 3. Notwithstanding the provisions of section 6 of the Act of March 24, 1934, entitled "An Act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purpose" (48 Stat. 459), as amended by the Act of August 7, 1939 (53 Stat. 1226; U. S. C., title 48, sec. 1236), no United States duty shall be levied, collected, or paid upon any of the Philippine articles entered or withdrawn from warehouse during the period commencing with the enactment of this Act and ending July 4, 1946.

SEC. 4. The total amount of all Philippine sugars coming into the United States which may be entered or with-

drawn from warehouse, for consumption in any calendar year, shall not exceed eight hundred and fifty thousand long tons, net commercial weight, of which not to exceed fifty thousand long tons, net commercial weight, may be refined sugars: *Provided,* That the quota for unrefined sugars, including that required to manufacture the refined sugars, established by this section shall be allocated annually to the sugar-producing mills in the Philippine Islands whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their average annual production for the calendar years 1931, 1932, and 1933, and the amount of sugar from each mill which may be so exported shall be allocated in each year between the mill and the planters on the basis of the proportion of sugar to which the mill and the planters are respectively entitled: *And provided further,* That the quota for refined sugars established by this section shall be allocated annually to the manufacturers in the Philippine Islands of refined sugar whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 5. The total amount of all Philippine cordage coming into the United States which may be entered or withdrawn from warehouse, for consumption in any calendar

year shall not exceed six million pounds, net commercial weight: *Provided,* That the quota for cordage established in this section shall be allocated annually to the manufacturers in the Philippine Islands of cordage whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 6. The total amount of all Philippine coconut oil coming into the United States which may be entered or withdrawn from warehouse, for consumption in any calendar year, shall not exceed two hundred thousand long tons, net commercial weight: *Provided,* That the quota for coconut oil established in this section shall be allocated annually to the manufacturers in the Philippine Islands of coconut oil whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940: *And provided further,* That all coconut oil exported from the Philippine Islands to the United States shall be rendered unfit for use as food or for the manufacture of edible products by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him.

SEC. 7. The total number of all Philippine cigars, excluding cigarettes, cheroots of all kinds, and paper cigars

and cigarettes coming into the United States which may be entered or withdrawn from warehouse, for consumption in any calendar year, shall not exceed two hundred million: *Provided,* That the quota for cigars established in this section shall be allocated annually to the manufacturers in the Philippine Islands of cigars whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 8. The total amount of all scrap tobacco and stemmed and unstemmed filler tobacco described in paragraph 602 of the United States Tariff Act of 1930 coming into the United States which may be entered or withdrawn from warehouse, for consumption in any calendar year, shall not exceed six million five hundred thousand pounds, net commercial weight: *Provided,* That the quota for scrap tobacco and stemmed and unstemmed filler tobacco established in this section shall be allocated annually to the exporters in the Philippine Islands of such tobacco during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 9. The total amount of all Philippine buttons of pearl or shell coming into the United States which may be entered or withdrawn from warehouse, for consumption in any year, shall not exceed eight hundred and fifty thousand

gross: *Provided,* That the quota for buttons of pearl or shell established in this section shall be allocated annually to the manufacturers in the Philippine Islands of buttons of pearl or shell whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 10. The total amount of all Philippine embroideries coming into the United States which may be entered or withdrawn from warehouse, for consumption in any year, shall not exceed the number of pounds, net weight, of Philippine embroideries which came into the United States and were entered or withdrawn from warehouse, for consumption during the calendar year 1940 as may be determined by the Secretary of the Treasury: *Provided,* That the quota for embroideries established in this section shall be allocated annually to the exporters in the Philippine Islands of embroideries during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 11. On or after January 1, 1948, the Congress may establish quotas for Philippine articles other than those for which quotas are established in this Act, which may come into substantial competition with like United States articles: *Provided,* That the United States Tariff Commission shall

find after due investigation and hearings that the cost of production of the Philippine article is 20 per centum or more below the cost of production of the United States article: *Provided further*, That no quota established under this section shall be less than the total amount of the article for which the quota may be established coming into the United States during the twelve months immediately preceding the date upon which the United States Tariff Commission began the investigation under the provisions of this section: *And provided further*, That the Congress shall provide for the allocation of quotas established under the provisions of this section.

SEC. 12. During the first nine months of any calendar year, the holder of any allotment under any of the quotas established by or under the terms of this Act whose facilities for production, manufacture, or export have been impaired by reason of war, invasion, fire, flood, tornado, or other casualty may transfer or assign all or any amount of his annual allotment on such terms as may be agreeable to the parties in interest. If, after the first nine months of any calendar year, the holder of any allotment under any of the quotas established by or under the terms of this Act, is or will be unable for any reason to export to the United States by the end of the calendar year all of his allocation for that year, that amount of such allotment which it is

established by sufficient evidence cannot be exported to the United States during the remainder of the calendar year may be reallocated to other holders of allotments under the same quota: *Provided,* That no transfer or assignment or reallocation under the provisions of this section shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

SEC. 13. No processing tax or other internal-revenue tax shall be imposed or collected in the United States on Philippine coconut oil, nor on coconut oil expressed or extracted in the United States from Philippine copra which has been rendered unfit for use as food or for the manufacture of edible products, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him.

SEC. 14. No processing tax or other internal-revenue tax shall be imposed or collected in the United States on Manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 15. No rate of processing tax or other internal-revenue tax imposed or collected by the United States Government on articles imported from the Philippine Islands, or by the Philippine Government on articles imported from the United States, shall exceed the rates imposed and collected on such articles on November 30, 1941.

SEC. 16. The Philippine Government shall not impose or collect any processing tax or other internal-revenue tax on articles imported into the Philippine Islands by or for the official use of the United States Government, or any Department or agency thereof, and the United States Government shall not impose or collect any processing tax or other internal-revenue tax on articles imported into the United States for the official use of the Philippine Government or any department or agency thereof.

SEC. 17. The Philippine Government shall not impose or collect on any article imported from any country other than the United States a lower rate of import duty than the United States duty on like articles, or the Philippine duty on like articles, whichever is the lower.

SEC. 18. No export tax shall be imposed or collected by the United States Government on articles exported to the Philippine Islands nor by the Philippine Government on articles exported to the United States.

SEC. 19. Notwithstanding any existing provision of the constitution and statutes of the Philippine Government, citizens and corporations of the United States shall enjoy in the Philippine Islands during the period of the validity of this Act, or any extension thereof by statute or treaty, the same rights as to property, residence, and occupation as citizens of the Philippine Islands. Such rights shall include

rights to acquire land of the public domain, to acquire grazing, forestry, fishing, and mineral rights, and to engage in the ownership and operation of public utilities, and all such rights shall be acknowledged, respected, and safeguarded to the same extent as the same rights of citizens of the Philippine Islands. No tax, assessment, license, or financial burden shall be levied by the Philippine Government or its political subdivisions against any American citizen living or doing business in the Philippines which is at a higher rate or more burdensome than those levied on or against citizens of the Philippine Islands.

SEC. 20. The United States Government shall accord to citizens of the Philippine Islands and the Philippine Government shall accord to citizens of the United States privileges of immigration and naturalization not less favorable than the same privileges accorded by them to any other nation: *Provided,* That any citizen of the Philippine Islands who resided in the United States or was domiciled therein for three years prior to November 30, 1941, shall be considered a legal resident of the United States: *And provided further,* That any citizen of the United States who resided in the Philippine Islands or was domiciled therein, for three years prior to November 30, 1941, shall be considered a legal resident of the Philippine Islands.

SEC. 21. During the period of the validity of this Act,

or any extension thereof by statute or treaty, the currency of the Philippine Government shall be as now provided by law, except that for the purpose of computing the ratio of the Exchange Standard Fund to the money of the Philippine Government in circulation and available for circulation, treasury certificates shall not be included as money in circulation and available for circulation.

SEC. 22. Neither the United States Government nor the Philippine Government shall impose any restrictions on exchange between the two countries, nor otherwise effect barriers to trade and financial negotiations between the United States and the Philippine Islands by unusual regulations respecting currency and banking transactions.

SEC. 23. (a) The President of the United States is authorized to enter into an executive agreement with the President of the Philippine Islands containing such provisions as will have the effect of continuing, after the independence of the Philippine Islands has been proclaimed and until July 4, 1979, trade relations between the United States and the Philippine Islands on the same basis as is provided in sections 1 to 22, both inclusive, of this Act. The agreement shall provide that it may be terminated by either party on not less than two years' notice.

(b) No third country (including Cuba) shall be entitled to any benefits granted to the Philippine Islands under

this Act or under any agreement made pursuant to this section, and no agreement shall be made with the Philippine Islands under section 351, as amended, of the Tariff Act of 1930.

(c) If (1) the agreement provided for in this section has not been entered into and ratified by the Congress of the Philippine Government within such time after the independence of the Philippine Islands has been proclaimed as the President may determine to be reasonable, or (2) the agreement entered into under this section is terminated by either party, the President shall proclaim such fact, and thereafter the provisions of this Act shall cease to be in effect.

SEC. 24. (a) As used in this Act—

(1) The term "United States", when used in a geographical sense, but not the term "continental United States", includes all Territories and possessions of the United States, other than the Philippine Islands.

(2) The term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the United States Tariff Act of 1930), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of Manila (abaca) or other hard fiber.

(3) The term "Philippine Government" means the

Government of the Commonwealth of the Philippine Islands or the Government of the Republic of the Philippines.

(4) The term "United States duty", as used in section 17 of this Act, means the lowest rate of ordinary customs duty in effect at the time of the shipment of the article concerned from the Philippines and applicable to like articles imported into the continental United States from any foreign country, except Cuba, or when more than one rate of ordinary customs duty is applicable to such like articles, the aggregate of such rates.

(5) The term "refined sugars" possesses the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(6) The term "Philippine article" means an article the growth, produce, or manufacture of the Philippines, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 per centum of the total value of such article was used and which is brought into the United States from the Philippines.

(7) The term "United States article" means an article the growth, produce, or manufacture of the United States, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 per centum of the total value of such article was used and which is brought into the Philippines from the United States.

(8) The term "Philippine import duty" as used in section 15 of this Act means the lowest rate of ordinary customs duty in effect at the port of arrival, at the time of entry, or withdrawal from warehouse, for consumption of the article concerned, and applicable to like articles imported into the Philippine Islands from any country other than the United States, by the Philippine Tariff Act of 1909 as amended to November 30, 1941, or when more than one rate of ordinary customs duty is applicable to such like articles, the aggregate of such rates.

(b) As used in subsection (a) of this section—

(1) the terms "includes" and "including" shall not be deemed to exclude other things otherwise within the meaning of the term defined;

(2) the term "ordinary customs duty" shall not include any import duty or charge which is imposed to compensate for an internal tax imposed in respect of a like domestic article or in respect of a commodity from which the imported article has been manufactured or produced in whole or in part.

SEC. 25. This Act may be cited as the "Philippine Trade Act of 1945".

79TH CONGRESS
1ST SESSION

H. R. 4676

A BILL

To provide for future trade relations between the United States and the Philippine Islands

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By Mr. BELL

NOVEMBER 14, 1945

Referred to the Committee on Ways and Means

79TH CONGRESS
2D SESSION

H. R. 5185

IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1946

Mr. BELL introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide for future trade relations between the United States and the Philippine Islands, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That during the period beginning July 4, 1946, and ending July 3, 1954, trade relations between the United States and the Philippine Islands shall be as provided in section 301 of the Tariff Act of 1930, as amended, subject only to the exceptions and provisions set forth in this Act.

SEC. 2. During the period beginning July 4, 1954, and ending December 31, 1954, a duty equal to 4 per centum of the United States duty shall be levied, collected, and paid in the United States on Philippine articles entered, or with-

drawn from warehouse, for consumption, except as otherwise hereinafter specifically provided. During the same period, a duty equal to 4 per centum of the Philippine duty shall be levied and paid in the Philippine Islands on United States articles entered, or withdrawn from warehouse, for consumption. On each succeeding January 1 thereafter such rates of duty shall be progressively increased by an additional 4 per centum of the United States duty and of the Philippine duty, respectively, until, in each case, the United States duty or the Philippine duty, as these terms are defined in section 20 (a) (4) and (8), are applicable, unless otherwise provided by law.

SEC. 3. Notwithstanding the provisions of section 6 of the Act of March 24, 1934, entitled "An Act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes", as amended, no United States duty shall be levied, collected, or paid upon any of the Philippine articles entered, or withdrawn from warehouse, for consumption, during the period commencing with the enactment of this Act and ending July 3, 1946, except as provided for in section 301 of the Tariff Act of 1930, as amended.

SEC. 4. The total amount of all sugars coming into the United States from the Philippine Islands, by direct ship-

ment or otherwise, which, in any calendar year, may be entered, or withdrawn from warehouse, for consumption, shall not exceed eight hundred and fifty thousand long tons, of which not to exceed fifty thousand long tons may be refined sugars: *Provided,* That the quota for unrefined sugars, including that required to manufacture the refined sugars, established by this section shall be allocated annually to the sugar-producing mills and plantation owners in the Philippine Islands whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their average annual production for the calendar years 1931, 1932, and 1933, and the amount of sugar which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugar to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them, or any extension, modification, or renewal thereof: *Provided further,* That the quota for refined sugars established by this section shall be allocated annually to the manufacturers in the Philippine Islands of refined sugar whose products were exported to the United States during the calendar year 1940, proportionately on the basis of their exports to the United States during the calendar year 1940.

SEC. 5. The total amount of all cordage coming into the

United States from the Philippine Islands, by direct shipment or otherwise, which, in any calendar year, may be entered, or withdrawn from warehouse, for consumption, shall not exceed six million pounds: *Provided*, That the quota for cordage established in this section shall be allocated annually to the manufacturers of cordage in the Philippine Islands whose products were exported to the United States during the calendar year 1940, proportionately on the basis of the shipments of each such manufacturer to the United States during the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines.

SEC. 6. (a) The total amount of any of the articles enumerated in this section, coming into the United States from the Philippine Islands, by direct shipment or otherwise, which in any calendar year may be entered, or withdrawn from warehouse, for consumption, shall not exceed:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), two hundred million cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, six million five hundred thousand pounds;

(3) Coconut oil, two hundred thousand long tons; and

(4) Buttons of pearl or shell, eight hundred and fifty thousand gross.

(b) Notwithstanding the provisions of section 2 of this Act, no United States duty shall be levied, collected, or paid upon any of the articles enumerated in this section, coming into the United States from the Philippines, by direct shipment or otherwise, entered, or withdrawn from warehouse, for consumption, except as provided in subsection (c) of this section.

(c) For each calendar year beginning January 1, 1955, the duty-free quotas on each of the foregoing articles shall be the same as the corresponding quotas for the immediately preceding calendar year, reduced by the quantities specified below:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), eight million cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, two hundred and sixty thousand pounds;

(3) Coconut oil, eight thousand long tons; and

(4) Buttons of pearl or shell, thirty-four thousand gross.

Each of the foregoing articles entered or withdrawn from

warehouse in excess of the respective quotas specified in paragraphs 1, 2, 3, and 4 of this subsection shall be subject to the full United States duty as defined in section 20 (a) (4) hereof: *Provided,* That the quotas specified in subsection (a) of this section shall not be exceeded.

(d) The quotas established in this section shall be allocated annually to the manufacturers in the Philippine Islands whose products were exported to the United States directly or through other persons during the calendar year 1940 proportionately on the basis of their exports to the United States during the calendar year 1940.

(e) All coconut oil coming into the United States from the Philippine Islands, entered, or withdrawn from warehouse, for consumption, shall, before release from customs custody, be rendered unfit for use as food, or for the manufacture of edible products, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him.

SEC. 7. On or after January 1, 1948, the Congress may establish quotas for articles coming into the United States from the Philippine Islands, by direct shipment or otherwise, other than those for which quotas are established in this Act, which may come into substantial competition with like United States articles: *Provided,* That the United States Tariff Commission shall find after due investigation and hear-

ings that the cost of production of such article is 20 per centum or more below the cost of production of the United States article: *Provided further,* That no quota established under this section shall be less than the total amount of the article for which the quota may be established coming into the United States during the twelve months immediately preceding the date upon which the United States Tariff Commission began the investigation under the provisions of this section: *And provided further,* That the Congress shall provide the basis for the allocation of quotas established under the provisions of this section.

SEC. 8. The Philippine Government is authorized to adopt the necessary laws and regulations for putting into effect the allocations of quotas provided for in this Act.

SEC. 9. The holder of any allotment under existing law, including his successor in interest, and the holder of any allotment under any of the quotas established under this Act may transfer or assign all or any amount of such allotment on such terms as may be agreeable to the parties in interest. If, after the first nine months of any calendar year, the holder of any allotment, for that year, under any of the quotas established by or under the terms of this Act, is or will be unable for any reason to export to the United States all of his allocation, in time to fulfill the quota for that year, that amount of such allotment which it is estab-

lished by sufficient evidence cannot be so exported during the remainder of the calendar year may be apportioned by the Philippine Government to other holders of allotments under the same quota, or in such other manner as will insure the fulfillment of the quota for that year: *Provided,* That no transfer or assignment or reallocation under the provisions of this section shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

SEC. 10. No processing tax or other internal-revenue tax shall be imposed or collected in the United States on Philippine coconut oil, nor on coconut oil pressed or extracted in the United States from Philippine copra which has been rendered unfit for use as food or for the manufacture of edible products, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him.

SEC. 11. No processing tax or other internal-revenue tax shall be imposed or collected in the United States on Manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 12. Philippine articles coming into the United States, or articles manufactured from raw materials coming from the Philippine Islands, and United States articles coming into the Philippine Islands, or articles manufactured from raw materials coming from the United States, shall be

exempt from all internal taxes, fees, charges, or exactions other or higher than those imposed upon like articles of national origin or of any foreign origin.

SEC. 13. The Philippine Government shall not impose or collect any processing tax or other internal-revenue tax on articles coming into the Philippine Islands by or for the official use of the United States Government, or any department or agency thereof, and the United States Government shall not impose or collect any processing tax or other internal-revenue tax on articles coming into the United States for the official use of the Philippine Government or any department or agency thereof.

SEC. 14. The Philippine Government shall not impose or collect on any article coming into the Philippine Islands from the United States any other or higher rate of duty than is applicable to like articles imported into the Philippine Islands from any foreign country other than the United States, and the United States shall not impose or collect on any article coming into the United States from the Philippine Islands any other or higher rate of duty than is applicable to like articles imported into the United States from any foreign country other than the Philippine Islands.

SEC. 15. No export tax shall be imposed or collected by the United States Government on articles exported to

the Philippine Islands nor by the Philippine Government on articles exported to the United States.

SEC. 16. Citizens and corporations of the United States shall enjoy in the Philippine Islands during the period of the validity of this Act, or any extension thereof by statute or treaty, the same rights as to property, residence, and occupation as citizens of the Philippine Islands. Such rights shall include rights to acquire land of the public domain, to acquire grazing, forestry, fishing, and mineral rights, and to engage in the ownership and operation of public utilities, and all such rights shall be acknowledged, respected, and safeguarded to the same extent as the same rights of citizens of the Philippine Islands. No tax, assessment, license, or financial burden shall be levied by the Philippine Government or its political subdivisions against any American citizen, or corporation, residing or doing business in the Philippines which is at a higher rate or more burdensome than those levied on or against citizens of the Philippine Islands.

SEC. 17. The United States Government shall accord to citizens of the Philippine Islands and the Philippine Government shall accord to citizens of the United States privileges of immigration and naturalization not less favorable than the same privileges accorded by them to any other nation: *Provided*, That, for the purposes of this section, (a) any citizen

of the Philippine Islands who resided in the United States or was domiciled therein for three years prior to November 30, 1941, shall be considered a legal resident of the United States; and (b) any citizen of the United States who resided in the Philippine Islands or was domiciled therein, for three years prior to November 30, 1941, shall be considered a legal resident of the Philippine Islands.

SEC. 18. The Philippine Government shall not change the value of its currency in relation to the United States dollar, or suspend the convertibility of pesos into dollars, or impose any restriction on the transfer of funds from the Philippine Islands to the United States, except by agreement with the President of the United States.

SEC. 19. (a) The President of the United States is authorized to enter into an executive agreement with the President of the Philippine Islands containing such provisions as will have the effect of continuing, after the independence of the Philippine Islands has been proclaimed and until July 4, 1979, trade relations between the United States and the Philippine Islands on the same basis as is provided in sections 1 to 18, both inclusive, of this Act. The agreement shall provide that, in the event the President of the United States, or the President of the Philippine Islands, shall find and declare that the other party has adopted or applied measures or practices which would operate to nullify

or impair any right or obligation provided for in such agreement, the same may be terminated upon not less than five years' notice.

(b) No third country shall be entitled to any benefits granted to the Philippine Islands under this Act or under any agreement made pursuant to this section, and no agreement shall be made with the Philippine Islands under section 350, as amended, of the Tariff Act of 1930, as amended.

(c) If (1) the agreement provided for in this section has not been entered into and ratified by the Congress of the Philippine Government, or (2) the Constitution of the Philippine Government shall not have been amended so as to incorporate therein the rights set forth in section 16 of this Act, each within such time after the independence of the Philippine Islands has been proclaimed as the President of the United States may determine to be reasonable, or (3) the agreement entered into under this section is terminated by either party, the President of the United States shall proclaim such fact, and thereafter the provisions of this Act shall cease to be in effect.

Sec. 20. (a) As used in this Act—

(1) The term "United States", when used in a geographical sense, but not the term "continental United

States," includes all Territories and possessions of the United States, other than the Philippine Islands.

(2) The term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930, as amended), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of Manila (abaca) or other hard fiber.

(3) The term "Philippine Government" means the Government of the Commonwealth of the Philippine Islands or the Government of the Republic of the Philippines.

(4) The term "United States duty", as used in this Act, means the lowest rate of ordinary customs duty in effect at the time of entry, or withdrawal from warehouse, for consumption in the United States of the article concerned and applicable to like articles imported into the continental United States from any foreign country, or when more than one rate of ordinary customs duty is applicable to such like articles, the aggregate of such rates.

(5) The term "refined sugars" possesses the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(6) For the purposes of sections 2 and 3 hereof,

the term "Philippine article" means an article the growth, produce, or manufacture of the Philippines, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 per centum of the total value of such article were used and which is brought into the United States from the Philippines.

(7) The term "United States article" means an article the growth, produce, or manufacture of the United States, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 per centum of the total value of such article were used and which is brought into the Philippines from the United States.

(8) The term "Philippine duty" as used in this Act means the lowest rate of ordinary customs duty in effect at the port of arrival, at the time of entry, or withdrawal from warehouse, for consumption in the Philippine Islands of the article concerned and applicable to like articles imported into the Philippine Islands from any foreign country, or when more than one rate of ordinary customs duty is applicable to such like articles, the aggregate of such rates.

(b) As used in subsection (a) of this section—

(1) the terms "includes" and "including" shall

not be deemed to exclude other things otherwise within the meaning of the term defined; and

(2) the term "ordinary customs duty" shall not include any import duty or charge which is imposed to compensate for an internal tax imposed in respect of a like domestic article or in respect of a commodity from which the imported article has been manufactured or produced in whole or in part.

SEC. 21. Except to the extent provided in this Act, nothing herein shall be construed to modify or repeal the provisions of any existing law.

SEC. 22. This Act may be cited as the "Philippine Trade Act of 1945".

79TH CONGRESS
2D SESSION

H. R. 5185

A BILL

To provide for future trade relations between the United States and the Philippine Islands, and for other purposes.

By Mr. BELL

JANUARY 21, 1946

Referred to the Committee on Ways and Means

79TH CONGRESS
2D SESSION

H. R. 5856

IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1946

Mr. BELL introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide for trade relations between the United States and the Philippines, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE AND DEFINITIONS

SECTION 1. SHORT TITLE.

This Act may be cited as the "Philippine Trade Act of 1946".

SEC. 2. DEFINITIONS.

(a) For the purposes of this Act—

(1) The term "person" includes partnerships, corporations, and associations.

(2) The term "United States", when used in a

geographical sense, means the States, the District of Columbia, the Territories of Alaska and Hawaii, and Puerto Rico.

(3) The term "ordinary customs duty" means a customs duty based on the article as such (whether or not such duty is also based in any manner on the use, value, or method of production of the article, or on the amount of like articles imported, or on any other factor); but does not include—

(A) a customs duty based on an act or omission of any person with respect to the importation of the article, or of the country from which the article is exported, or from which it comes; or

(B) a countervailing duty imposed to offset a subsidy, bounty, or grant; or

(C) an anti-dumping duty imposed to offset the selling of merchandise for exportation at a price less than the prevailing price in the country of export; or

(D) any tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws; or

(E) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; or the tax imposed by section 3500 of the Internal Revenue Code.

(4) The term "Philippine article" means an article which is the product of the Philippines, unless, in the case of an article produced with the use of materials imported into the Philippines from any foreign country (except the United States) the aggregate value of such imported materials at the time of importation into the Philippines was more than twenty per centum of the value of the article imported into the United States, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the United States in effect at the time of importation of such article. As used in this paragraph the term "value", when used in reference to a material imported into the Philippines, includes the value of the material ascertained under the customs laws of the Philippines in effect at the time of importation into the Philippines,

and, if not included in such value, the cost of bringing the material to the Philippines, but does not include the cost of landing it at the port of importation, or customs duties collected in the Philippines. For the purposes of this paragraph any imported material, used in the production of an article in the Philippines, shall be considered as having been used in the production of an article subsequently produced in the Philippines, which is the product of a chain of production in the Philippines in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(5) The term "United States article" means an article which is the product of the United States, unless, in the case of an article produced with the use of materials imported into the United States from any foreign country (except the Philippines) the aggregate value of such imported materials at the time of importation into the United States was more than twenty per centum of the value of the article imported into the Philippines, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the Philippines in effect at the time of importation of such article. As used in this paragraph

the term "value", when used in reference to a material imported into the United States, includes the value of the material ascertained under the customs laws of the United States in effect at the time of importation into the United States, and, if not included in such value, the cost of bringing the material to the United States, but does not include the cost of landing it at the port of importation, or customs duties collected in the United States. For the purposes of this paragraph any imported material, used in the production of an article in the United States, shall be considered as having been used in the production of an article subsequently produced in the United States, which is the product of a chain of production in the United States in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(6) The term "United States duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the United States for consumption, of the Philippine article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest

rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(7) The term "Philippine duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the Philippines for consumption, of the United States article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(8) The term "internal tax" includes an internal fee, charge, or exaction, and includes—

(A) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; and the tax imposed by section 3500 of the Internal Revenue Code; and

(B) any other tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains

a provision to the effect that it shall be treated as a duty imposed under the customs laws.

(b) For the purposes of sections 221 (b) and 321 (b), any material, used in the production of an article, shall be considered as having been used in the production of an article subsequently produced, which is the product of a chain of production in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(c) For the purposes of paragraphs (6) and (7) of subsection (a) of this section—

(1) if an article is entitled to be imported from a foreign country free of ordinary customs duty, that country shall be considered as the country entitled to the lowest rate of ordinary customs duty with respect to such article; and

(2) a reduction in ordinary customs duty granted any country, by law, treaty, trade agreement, or otherwise, with respect to any article, shall be converted into the equivalent reduction in the rate of ordinary customs duty otherwise applicable to such article.

(d) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to

exclude other things otherwise within the meaning of the term defined.

TITLE II—LAWS AND PROPOSED OBLIGATIONS OF UNITED STATES

Part 1—Customs Duties

SEC. 201. FREE ENTRY OF PHILIPPINE ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, Philippine articles entered, or withdrawn from warehouse, in the United States for consumption shall be admitted into the United States free of ordinary customs duty.

SEC. 202. ORDINARY CUSTOMS DUTIES ON PHILIPPINE ARTICLES.

(a) JULY 4, 1954–JULY 3, 1974.—The ordinary customs duty to be collected on Philippine articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined by applying the following percentages of the United States duty:

(1) JULY 4, TO DECEMBER 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) CALENDAR YEAR 1955.—During the calendar year 1955, 10 per centum.

(3) CALENDAR YEARS 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the United States duty.

(4) PERCENTAGE AFTER 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(5) EXCEPTIONS TO ABOVE RULES.—The provisions of this subsection shall not be applicable to the classes of articles referred to in section 214 (a) of Part 2 of this title (relating to quotas).

(b) PERIOD AFTER JULY 3, 1974.—The ordinary customs duty to be collected on Philippine articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined without regard to the provisions of subsection (a) of this section or of section 214.

SEC. 203. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on Philippine articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 201 and 202 (a), but shall be subject to the provisions of section 204.

SEC. 204. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to Philippine articles imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 205. EQUALITY IN DUTIES ON PRODUCTS OF PHILIPPINES.

(a) With respect to products of the Philippines, which do not come within the definition of Philippine articles, imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country (except Cuba), or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country (except Cuba).

(b) As used in this section the term "duty" includes

taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 2—Quotas

SEC. 211. ABSOLUTE QUOTA ON SUGARS.

(a) DEFINITION OF PHILIPPINE SUGARS.—For the purpose of this section, an article shall not be considered "Philippine sugars" unless it is a Philippine article.

(b) DEFINITION OF REFINED SUGARS.—As used in this section the term "refined sugars" has the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine sugars which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 850,000 short tons, of which not to exceed 50,000 short tons may be refined sugars; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 425,000 short tons, of which not to exceed 25,000 short tons may be refined sugars.

(d) ALLOCATION OF QUOTAS FOR UNREFINED SUGARS.—The quota for unrefined sugars, including that required to manufacture the refined sugars, established by this section, shall be allocated annually to the sugar-producing

mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932, and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them, or any extension, modification, or renewal thereof.

(e) Allocation of Quotas for Refined Sugars.—The quota for refined sugars established by this section shall be allocated annually to the manufacturers of refined sugars in the Philippines in the calendar year 1940 whose refined sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of refined sugars produced by each such manufacturer (or in the case of such successor in interest, the amount of refined sugars produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 212. ABSOLUTE QUOTA ON CORDAGE.

(a) DEFINITION OF "CORDAGE".—As used in this section the term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930, as amended), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber.

(b) DEFINITION OF "PHILIPPINE CORDAGE".—For the purpose of this section, an article shall not be considered "Philippine cordage" unless it is a product of the Philippines.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine cordage which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 6,000,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 3,000,000 pounds.

(d) ALLOCATION OF QUOTAS.—The quota for cordage established by this section shall be allocated annually to the manufacturers of cordage in the Philippines in the calendar year 1940 whose cordage was exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of cordage

produced by each such manufacturer (or in the case of such successor in interest, the amount of the cordage produced by his predecessor in interest) which was exported to the United States during the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines.

SEC. 213. ABSOLUTE QUOTA ON RICE.

(a) DEFINITION OF RICE.—As used in this section the term "rice" includes rice meal, flour, polish, and bran.

(b) DEFINITION OF PHILIPPINE RICE.—For the purposes of this section, an article shall not be considered "Philippine rice" unless it is a Philippine article.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine rice which, in any calendar year may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 1,040,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 520,000 pounds.

SEC. 214. ABSOLUTE AND DUTY-FREE QUOTAS ON CERTAIN ARTICLES.

(a) ABSOLUTE QUOTAS.—

AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of the following articles which

are Philippine articles, and which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed the amounts specified as to each:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), two hundred million cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, six million five hundred thousand pounds;

(3) Coconut oil, two hundred thousand long tons; and

(4) Buttons of pearl or shell, eight hundred and fifty thousand gross.

During the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed one-half of the amount above specified with respect to each class of articles, respectively.

(b) Duty-Free Quotas.—

(1) In general.—Philippine articles falling within one of the classes specified in subsection (a) of this section, which during the period from January 1, 1946, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for

consumption, shall be free of ordinary customs duty, in the quantities and for the periods set forth in the following table:

PERIODS [Calendar Year]	AMOUNT OF DUTY-FREE QUOTAS			
	Cigars Referred to in subsection (a) (1) [Number]	Tobacco Referred to in subsection (a) (2) [Pounds]	Coconut Oil [Long Tons]	Buttons of Pearl or Shell [Gross]
Each of Calendar Years 1946–1954	200, 000, 000	6, 500, 000	200, 000	850, 000
1955	190, 000, 000	6, 175, 000	190, 000	807, 500
1956	180, 000, 000	5, 850, 000	180, 000	765, 000
1957	170, 000, 000	5, 525, 000	170, 000	722, 500
1958	160, 000, 000	5, 200, 000	160, 000	680, 000
1959	150, 000, 000	4, 875, 000	150, 000	637, 500
1960	140, 000, 000	4, 550, 000	140, 000	595, 000
1961	130, 000, 000	4, 225, 000	130, 000	552, 500
1962	120, 000, 000	3, 900, 000	120, 000	510, 000
1963	110, 000, 000	3, 575, 000	110, 000	467, 500
1964	100, 000, 000	3, 250, 000	100, 000	425, 000
1965	90, 000, 000	2, 925, 000	90, 000	382, 500
1966	80, 000, 000	2, 600, 000	80, 000	340, 000
1967	70, 000, 000	2, 275, 000	70, 000	297, 500
1968	60, 000, 000	1, 950, 000	60, 000	255, 000
1969	50, 000, 000	1, 625, 000	50, 000	212, 500
1970	40, 000, 000	1, 300, 000	40, 000	170, 000
1971	30, 000, 000	975, 000	30, 000	127, 500
1972	20, 000, 000	650, 000	20, 000	85, 000
1973	10, 000, 000	325, 000	10, 000	42, 500
1974	0	0	0	0

(2) DUTY ON IMPORTS IN EXCESS OF DUTY-FREE QUOTA.—Any such Philippine article so entered or withdrawn from warehouse in excess of the duty-free quota provided in paragraph (1) shall be subject to 100 per centum of the United States duty, despite the provisions of section 202 of this title (which provides rates of less

than 100 per centum of the United States duty with respect to Philippine articles). Nothing in this subsection shall be construed as enlarging the absolute quotas provided in subsection (a) of this section.

(c) ALLOCATION OF QUOTAS.—Each of the quotas established by this section shall be allocated annually to the manufacturers in the Philippines in the calendar year 1940 of products of a class for which such quota is established, and whose products of such class were exported to the United States during such year, or their successors in interest, proportionately on the basis of the amount of the products of such class produced by each such manufacturer (or in the case of such successor in interest, the amount of the products of such class produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 215. LAWS PUTTING INTO EFFECT ALLOCATIONS OF QUOTAS.

The necessary laws and regulations for putting into effect the allocation of quotas on the basis provided for in sections 211, 212, and 214, respectively, shall not be enacted by the United States, it being the purpose of this title that such laws and regulations shall be enacted by the Philippines.

SEC. 216. TRANSFERS AND ASSIGNMENTS OF QUOTA ALLOTMENTS.

The holder of any allotment under existing law, including his successor in interest, and the holder of any allotment under any of the quotas established by sections 211, 212, or 214, may transfer or assign all or any amount of such allotment on such terms as may be agreeable to the parties in interest. If, after the first nine months of any calendar year, the holder of any allotment, for that year, under any of the quotas established by such sections, is or will be unable for any reason to export to the United States all of his allotment, in time to fulfill the quota for that year, that amount of such allotment which it is established by sufficient evidence cannot be so exported during the remainder of the calendar year may be apportioned by the Philippine Government to other holders of allotments under the same quota, or in such other manner as will insure the fulfillment of the quota for that year: *Provided,* That no transfer or assignment or reallocation under the provisions of this section shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

Part 3—Internal Taxes

SEC. 221. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the Philippines coming into the United States, or with respect

to articles manufactured in the United States wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the United States, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the United States, or (2) with respect to materials used in the production of a like article which is the product of the United States, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the Philippines is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

(c) This section shall not apply to the taxes imposed

under section 2306, 2327, or 2356 of the Internal Revenue Code.

SEC. 222. EXEMPTION FROM TAX OF MANILA FIBER.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 223. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the United States on articles exported to the Philippines.

SEC. 224. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to articles coming into the United States for the official use of the Philippine Government or any department or agency thereof.

SEC. 225. APPLICATION TO PUERTO RICO.

Section 9 of the Act of March 2, 1917 (39 Stat. 951, ch. 145) is amended to read as follows:

"SEC. 9. That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal revenue laws other than those contained in the Philippine Trade Act of 1946: *Provided, however*, That hereafter all taxes collected under the internal revenue laws of the United

States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico."

Part 4—Immigration

SEC. 231. CERTAIN PHILIPPINE CITIZENS GRANTED NON-QUOTA STATUS.

(a) Any citizen of the Philippines who actually resided in the United States for a continuous period of three years immediately prior to November 30, 1941, if entering the United States during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the United States, shall, for the purposes of the immigration laws, be considered a non-quota immigrant; and shall not be excluded from entry into the United States by reason of section 13 (c) of the Immigration Act of 1924, or by reason of so much of section 3 of the Immigration Act of 1917 as provides for the exclusion from admission into the United States of natives of a therein specified geographical area.

(b) After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the United States for permanent residence.

(c) The benefits of this section shall also apply to his wife, if a citizen of the Philippines or eligible to United

States citizenship, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

(d) This section shall not apply to a citizen of the Philippines admitted to the Territory of Hawaii, without an immigration or passport visa, under the provisions of paragraph (1) of section 8 (a) of the Act of March 24, 1934 (48 Stat. 456, ch. 84).

TITLE III—OBLIGATIONS OF PHILIPPINES

Part 1—Purposes of Title

SEC. 301. STATEMENT OF PURPOSES OF TITLE.

(a) PERIOD UNTIL JULY 4, 1946.—The following Parts and sections of this title, insofar as they are applicable to the period from the date of the enactment of this Act to July 3, 1946, both dates inclusive, are intended to, and shall, operate as statutes of the United States, binding on one of its possessions.

(b) PERIOD JULY 4, 1946–JULY 3, 1974.—The following Parts and sections of this title, although expressed in statutory form, are not in any manner intended, insofar as they are applicable to the period after July 3, 1946, as an attempt on the part of the Congress of the United States to legislate for the Republic of the Philippines as a sovereign nation, but constitute a statement in precise terms of provisions—

(1) which the Government of the Philippines, on the taking effect of the executive agreement provided for in Title IV of this Act, will be obligated to observe and execute as the law of the Republic of the Philippines during the effectiveness of the agreement; except that the observance of such part of the provisions of section 341 as is in conflict with the Constitution of the Philippines will not be required under such agreement for the period prior to the amendment to the constitution referred to in section 402 (b) ; and

(2) which, between the proclamation of the independence of the Philippines and the date of the taking effect of such executive agreement, will, according to the policy and expectations of the Congress of the United States, be observed and executed by the Government of the Philippines.

Part 2—Customs Duties

SEC. 311. FREE ENTRY OF UNITED STATES ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, United States articles entered, or withdrawn from warehouse, in the Philippines for consumption shall be admitted into the Philippines free of ordinary customs duty.

SEC. 312. ORDINARY CUSTOMS DUTIES ON UNITED STATES ARTICLES.

(a) JULY 4, 1954–JULY 3, 1974.—The ordinary customs duty to be collected on United States articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined by applying the following percentages of the Philippine duty:

(1) JULY 4, TO DECEMBER 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) CALENDAR YEAR 1955.—During the calendar year 1955, 10 per centum.

(3) CALENDAR YEARS 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the Philippine duty.

(4) PERCENTAGE AFTER 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(b) PERIOD AFTER JULY 3, 1974.—The ordinary customs duty to be collected on United States articles which after July 3, 1974, are entered, or withdrawn from ware-

house, in the Philippines for consumption, shall be determined without regard to the provisions of subsection (a) of this section.

SEC. 313. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on United States articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 311 and 312 (a), but shall be subject to the provisions of section 314.

SEC. 314. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to United States articles imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 315. EQUALITY IN DUTIES ON PRODUCTS OF UNITED STATES.

(a) With respect to products of the United States, which do not come within the definition of United States

articles, imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 3—Internal Taxes

SEC. 321. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the United States coming into the Philippines, or with respect to articles manufactured in the Philippines wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the Philippines, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which

are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the Philippines, or (2) with respect to materials used in the production of a like article which is the product of the Philippines, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the United States is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

SEC. 322. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the Philippines on articles exported to the United States.

SEC. 323. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the Philippines with respect to articles coming into the Philippines for the official use of the United States Government or any department or agency thereof.

Part 4—Immigration

SEC. 331. CERTAIN UNITED STATES CITIZENS GIVEN NON-QUOTA STATUS.

Any citizen of the United States who actually resided in the Philippines for a continuous period of three years immediately prior to November 30, 1941, if entering the Philippines during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the Philippines, shall, for the purposes of the immigration laws, be considered a non-quota immigrant. After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the Philippines for permanent residence. The benefits of this section shall also apply to his wife, if a citizen of the United States, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

SEC. 332. IMMIGRATION OF UNITED STATES CITIZENS INTO THE PHILIPPINES.

Citizens of the United States, admissible to the Philippines under the provisions required by section 402 (e) to be included as a part of the executive agreement made under Title IV, shall be entitled to enter the Philippines, in the numbers and during the periods of years, and to

remain therein for the time, specified in that part of the agreement which embodies the provisions of section 402 (e).

Part 5—Miscellaneous

SEC. 341. RIGHTS OF UNITED STATES CITIZENS AND BUSINESS ENTERPRISES IN NATURAL RESOURCES

The disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities, shall, if open to any person, be open to citizens of the United States and to all forms of business enterprise owned or controlled, directly or indirectly, by United States citizens.

SEC. 342. CURRENCY STABILIZATION.

The value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 343. ALLOCATION OF QUOTAS.

The allocation, reallocation, transfer, and assignment of quotas established by sections 211, 212, and 214, respectively,

of Part 2 of Title II, shall be on the basis provided for in such Part.

TITLE IV—EXECUTIVE AGREEMENT BETWEEN UNITED STATES AND PHILIPPINES

SEC. 401. AUTHORIZATION OF AGREEMENT.

The President of the United States is authorized (except as hereinafter in this title otherwise provided) to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of the provisions of Title II and of Title III (except Part 1) of this Act. The President of the United States is not authorized by this section to enter into such agreement unless it contains a provision that it shall not take effect—

(a) Unless and until the Congress of the Philippines accepts it by law; and

(b) Unless and until the Congress of the Philippines (in the act of acceptance, or separately) has enacted such legislation as may be necessary to make all the provisions of Parts 2, 3, 4, and 5 of Title III take effect as laws of the Philippines, except (during the period prior to the amendment to the Constitution of the Philippines referred to in subsection (b) of section 402) such provisions of section 341 as are in conflict with such constitution.

SEC. 402. OBLIGATIONS OF PHILIPPINES.

The President of the United States is not authorized by

section 401 to enter into such executive agreement unless in the agreement the Government of the Philippines agrees—

(a) That the Republic of the Philippines will continue in effect as laws of the Philippines, during the effectiveness of the agreement, the provisions of Parts 2, 3, 4, and 5 of Title III, except (for the period prior to the amendment of the Constitution of the Philippines referred to in subsection (b) of this section) such part of the provisions of section 341 as is in conflict with such constitution.

(b) That the Government of the Philippines will promptly take such steps as are necessary to secure the amendment of the Constitution of the Philippines so as to permit the taking effect as laws of the Philippines of such part of the provisions of section 341 as is in conflict with such constitution before such amendment.

(c) That the Republic of the Philippines will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary—

(1) to supplement the legislation referred to in section 401 (b), and to implement the provisions of Parts 2, 3, 4, and 5 of Title III; and

(2) to put and keep in effect during the effectiveness of the agreement, the allocation, reallocation, transfer, and assignment of quotas on the basis provided for in Part 2 of Title II.

(d) That the United States shall have the right to provide the basis for the allocation of the quotas established under that portion of the agreement which sets forth the provisions of section 403 (c) of this Act, and that, if the United States exercises such right, the Republic of the Philippines will promptly enact, and keep in force during the period for which each such quota is established, such legislation as is necessary to put and keep in effect, on the basis provided by the United States, the allocation of such quotas.

(e) That there shall be permitted to enter the Philippines, without regard to any numerical limitations under the laws of the Philippines, in each of the years of a specified period of years, of a specified number of citizens of the United States. The number of years (which shall not be less than five), the number of citizens of the United States (which shall not be less than one thousand) entitled to be so admitted in each year, and the length of time each shall be entitled to remain in the Philippines, shall be stated in the agreement.

(f) That the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds

from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 403. OBLIGATIONS OF UNITED STATES.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in such agreement the Government of the United States agrees—

(a) That upon the taking effect of the agreement the provisions of Title II—

(1) if in effect as laws of the United States at the time the agreement takes effect, shall continue in effect as laws of the United States during the effectiveness of the agreement; or

(2) if not so in effect at the time the agreement takes effect (because suspended under section 502 of Title V) shall take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

(b) That the United States will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary to supplement and implement the provisions of Title II so continued in effect, or so made to take effect, as laws of the United States.

(c) That with respect to quotas on Philippine articles (other than the quotas established in Part 2 of Title II, and

other than quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles), the United States will not establish any such quota for any period before January 1, 1948; and that, for any part of the period from January 1, 1948, to July 3, 1974, both dates inclusive, it will establish a quota with respect to any Philippine articles only if—

(1) the President of the United States, after investigation, finds that such Philippine articles are coming, or are likely to come, into substantial competition with like articles the product of the United States; and

(2) the quota established for any Philippine article for any twelve-month period is not less than the amount determined by the President as the total amount of Philippine articles of such class which (during the twelve months ended on the last day of the month preceding the month in which occurs the date proclaimed by the President as the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption; or, if the quota is established for any period other than a twelve-month period, is not less than a proportionate amount.

(d) That during the effectiveness of the agreement the United States will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue

Code (relating to processing taxes on coconut oil, etc.) with respect to articles "wholly the production of the Philippine Islands" or articles "produced wholly from materials the growth or production of the Philippine Islands"; except that it may suspend the provisions of subsection (a) (2) of such section during any period as to which the President of the United States, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States.

SEC. 404. TERMINATION OF AGREEMENT.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides—

(a) TERMINATION IN GENERAL.—That the agreement shall have no effect after July 3, 1974; and

(b) TERMINATION BY EITHER PARTY.—

(1) that the agreement may be terminated by either party at any time, upon not less than five years' notice; and

(2) that if the President of the United States or the President of the Philippines determines and proclaims that the other country has adopted or applied measures or practices which would operate to nullify or impair any right or obligation provided for in such

agreement, then the agreement may be terminated upon not less than six months' notice; and

(c) Termination or Suspension by the United States.—

(1) that if the President of the United States determines that a reasonable time for the making of the amendment to the Constitution of the Philippines referred to in section 402 (b) has elapsed, but that such amendment has not been made, he shall so proclaim and the executive agreement shall have no effect after the date of such proclamation; and

(2) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, then the United States shall have the right to suspend the effectiveness of the whole or any portion of the agreement; and

(3) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the discrimination which was the basis for the suspension under paragraph (2) of this subsection—

(A) has ceased, the suspension effected under paragraph (2) shall end; or

(B) has not ceased after the lapse of a time determined by the President of the United States to be reasonable, then the United States shall have the right to terminate the agreement upon not less than six months' notice.

SEC. 405. EFFECT OF TERMINATION OF AGREEMENT.

Upon the termination of the agreement as provided in section 404, the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 406. INTERPRETATION OF AGREEMENT.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides that the acceptance of the provisions of Titles II and III is on the understanding that the definitions, and provisions in the nature of definitions, contained in section 2 of Title I, shall apply in the interpretation of the provisions so accepted.

SEC. 407. TERMINATION OF AUTHORITY TO MAKE AGREEMENT.

Whenever the President of the United States determines that a reasonable time for the entering into, acceptance and taking effect, of the executive agreement has elapsed, but that such agreement has not taken effect, he shall so proclaim, and

thereupon his authority to enter into such executive agreement shall terminate, and the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 408. EFFECTIVE DATE OF AGREEMENT.

When the President of the United States determines that the executive agreement entered into under section 401 has been accepted by the Congress of the Philippines by law and that the Congress of the Philippines has enacted the legislation the enactment of which is, under section 401, a condition precedent to the taking effect of the agreement, he shall so proclaim, and in his proclamation specify the effective date of the agreement.

TITLE V—MISCELLANEOUS

SEC. 501. SUSPENSION AND TERMINATION OF AGREEMENT IN CASE OF DISCRIMINATION.

(a) SUSPENSION.—If the President of the United States determines, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, he shall so proclaim, and thereupon the effectiveness of the agreement, or such part thereof as he may in the proclamation specify as necessary in order adequately

to protect the interests of the United States, shall be suspended.

(b) TERMINATION OF SUSPENSION.—If the President of the United States, after consultation with the President of the Philippines, determines that the discrimination which was the basis for the suspension under subsection (a) of this section has ceased, he shall so proclaim, and thereupon the suspension effected under subsection (a) shall end.

(c) TERMINATION OF AGREEMENT.—If the President of the United States, after consultation with the President of the Philippines, determines that such discrimination has not ceased, after the lapse of a time determined by him to be reasonable, he shall so proclaim and give to the Philippine Government notice of the intention of the United States to terminate the agreement.

(d) LAWS OF THE UNITED STATES.—

(1) IN CASE OF SUSPENSION.—If the effectiveness of the agreement is suspended under subsection (a) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States during the period of the suspension. If the suspension is of the effectiveness of only part of the agreement, then such provisions of Title II as the President may in his proclamation under subsection (a) specify as

necessary adequately to protect the interests of the United States, shall cease to have effect as laws of the United States during the period of this suspension.

(2) IN CASE OF TERMINATION.—If the agreement is terminated under subsection (c) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States.

SEC. 502. SUSPENSION OF TITLE II.

If the President finds that, during the period after July 3, 1946, and before the taking effect of the executive agreement provided for in Title IV, the Government of the Philippines is not putting into effect, or making every effort to put into effect, to the fullest extent possible under its Constitution, the provisions of Title III of this Act, or is not providing for the allocation of quotas on the basis provided in section 211, 212, or 214, respectively, he shall so proclaim. On the day following the date of such proclamation, such provisions of Title II shall be suspended as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States. Such suspension shall continue until the taking effect of the executive agreement provided for in Title IV, whereupon the suspension shall terminate and the suspended provisions shall again take effect and continue in effect as laws

of the United States during the effectiveness of the agreement.

SEC. 503. CUSTOMS DUTIES ON IMPORTATIONS FROM PHILIPPINES.

Articles coming or imported into the United States from the Philippines, and Philippine products coming or imported into the United States, shall, except as otherwise provided with respect to Philippine articles by Title II of this Act during the period such title is in effect—

(1) if entered, or withdrawn from warehouse, in the United States for consumption, during the period from the day after the date of the enactment of this Act to July 3, 1946, both dates inclusive, be subject to the same duties as like articles coming or imported into the United States from foreign countries, except Cuba; and

(2) if so entered or withdrawn during the period after July 3, 1946, be subject to the same duties as like articles coming or imported into the United States from other foreign countries, except Cuba.

SEC. 504. QUOTAS ON PHILIPPINE ARTICLES.

(a) ESTABLISHMENT BY PRESIDENT.—After the executive agreement referred to in Title IV has taken effect, then whenever the President of the United States, after the investigation by the United States Tariff Commission pro-

vided for in subsection (d), finds, with respect to any Philippine articles (other than those for which quotas are established by Part 2 of Title II), that they are coming, or likely to come, into substantial competition with like articles which are the product of the United States, he shall so proclaim, and in his proclamation shall establish the total amount of such Philippine articles which may in each of specified periods be entered, or withdrawn from warehouse, in the United States for consumption. If he finds that the allocation of any quota so established is necessary to make the application of the quota just and reasonable between the United States and the Philippines, he shall, in such proclamation or a subsequent proclamation, provide the basis for such allocation.

(b) Maximum and Minimum Quotas.—No quota shall be established under subsection (a), with respect to a Philippine article, which is greater than the smallest amount of such article which in each of such specified periods the President determines may be so entered or withdrawn from warehouse without coming into substantial competition with like articles which are the product of the United States; except that in no case shall the quota be less than the minimum amount provided in that portion of such executive agreement which sets forth the provisions of section 403 (c) (2) of this Act.

(c) Duration of Quotas.—Any quota established pursuant to this section shall become effective at such time as the President shall designate (but not before January 1, 1948), and shall continue in effect until the President, after investigation, finds and proclaims that the conditions which gave rise to the establishment of such quota no longer exist, but no such quota shall continue in effect after the termination of the executive agreement provided for in Title IV.

(d) Investigations by Tariff Commission.—The United States Tariff Commission shall at the request of the President, upon resolution of either House of Congress or concurrent resolution of both Houses of Congress, upon its own motion, or when in its judgment there is good reason therefor, upon application of any interested party, make an investigation to ascertain (1) whether imports of a Philippine article (other than an article for which a quota is established by Part 2 of Title II) are coming, or are likely to come, into substantial competition with like articles which are the product of the United States; (2) what is the greatest amount of such article which may be entered, or withdrawn from warehouse, in the United States for consumption, without coming into substantial competition with like articles which are the product of the United States; and (3) the total amount of such article which (during the twelve months ended on the last day of the month preceding the month in which

occurs the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption. During the course of the investigation the Commission shall hold a public hearing, of which reasonable public notice shall be given and at which parties interested shall be afforded reasonable opportunity to be present, to produce evidence, and to be heard. The Commission shall give precedence to such investigations. The Commission shall report the results of its investigations to the President, and shall send copies of such report to each House of the Congress.

SEC. 505. PROCESSING TAX ON COCONUT OIL.

(a) EXEMPTION FOR PHILIPPINES.—Section 2470 (a) (2) of the Internal Revenue Code is amended by striking out the word "other" wherever it appears in clauses (A) and (B) thereof; and by inserting at the end of the paragraph a new sentence to read as follows: "The tax imposed by this paragraph shall not apply to any domestic processing after July 3, 1974.".

(b) SUSPENSION OF SECTION 2470 (a) (2) OF INTERNAL REVENUE CODE.—Whenever the President, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for process-

ing in the United States, he shall so proclaim, and after the date of such proclamation the provisions of section 2470 (a) (2) of the Internal Revenue Code shall be suspended until the expiration of 30 days after he proclaims that, after consultation with the President of the Philippines, he has found that such adequate supplies are so readily available.

SEC. 506. TERMINATION OF PAYMENTS INTO PHILIPPINE TREASURY.

(a) Notwithstanding the provisions of section 4 of the Act of March 8, 1902 (32 Stat. 54, ch. 140), or of section 19 of the Act of March 24, 1934 (48 Stat. 456, ch. 84), as added to such Act by section 6 of the Act of August 7, 1939 (53 Stat. 1232, ch. 502), or of the Act of November 8, 1945 (59 Stat. 577, ch. 454), or of any other provision of law, the proceeds of any duties or taxes, collected subsequent to July 3, 1946, which but for the enactment of this Act would be required to be paid into the general funds of the Treasury of the Philippines or would be held in separate or special funds and paid into the Treasury of the Philippines, shall be covered into the general fund of the Treasury of the United States.

(b) Sections 2476 and 3343 of the Internal Revenue Code are repealed, effective July 4, 1946.

SEC. 507. SPECIAL EXCISE PROVISIONS RELATING TO THE PHILIPPINES REPEALED.

(a) Section 2800 (a) (4) of the Internal Revenue Code is amended by amending the heading to read:

"(4) Alcoholic Compounds from Puerto Rico and Virgin Islands.—";

and by amending subparagraph (B) to read as follows:

"(B) Virgin Islands.—For provisions relating to tax on alcoholic compounds from the Virgin Islands, see section 3350."

(b) Sections 3340, 3341, and 3342 of the Internal Revenue Code are repealed, effective July 4, 1946.

(c) Subchapter B of Chapter 28 of the Internal Revenue Code is amended as follows:

(1) By amending the heading of such subchapter to read as follows:

"SUBCHAPTER B—PROVISIONS OF SPECIAL APPLICATION TO THE VIRGIN ISLANDS AND PUERTO RICO"

(2) By striking out the heading:

"Part I—Philippine Islands"

(3) By renumbering Parts II and III of such subchapter as "Part I" and "Part II", respectively.

SEC. 508. TRADE AGREEMENTS WITH THE PHILIPPINES.

Until July 4, 1974, no trade agreement shall be made

with the Philippines under section 350, as amended, of the Tariff Act of 1930, unless, prior to such time, the President of the United States has made the proclamation provided for in section 407 of this Act, or the executive agreement provided for in Title IV of this Act has been terminated.

SEC. 509. RIGHTS OF THIRD COUNTRIES.

The benefits granted by this Act, and by the executive agreement provided for in Title IV, to the Philippines, Philippine articles or products, and Philippine citizens, shall not, by reason of any provision of any existing treaty or agreement with any third country, be extended to such country or its products, citizens, or subjects.

SEC. 510. ADMINISTRATION OF TITLE II.

(a) The provisions of Parts 1, 2, and 3 of Title II shall be administered as parts of the customs and internal revenue laws of the United States.

(b) The provisions of Part 4 of Title II shall be administered as a part of the immigration laws of the United States.

SEC. 511. REPEALS.

The following parts of Acts are repealed, effective on the day following the date of the enactment of this Act:

(1) section 301 of the Tariff Act of 1930;

(2) section 6 (except subsection (g)) of the Act

of March 24, 1934 (48 Stat. 456, ch. 84), as amended by the Act of August 7, 1939 (53 Stat. 1226, ch. 502); and

(3) so much of section 13 of such Act of March 24, 1934, as amended by the joint resolution of June 29, 1944 (58 Stat. 626, ch. 323), as reads as follows: "After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries:".

SEC. 512. EFFECTIVE DATE.

This Act shall take effect on the day after the date of its enactment, except Part 2 of Title II, which shall take effect as of January 1, 1946.

79TH CONGRESS
2D SESSION

H. R. 5856

A BILL

To provide for trade relations between the United States and the Philippines, and for other purposes.

By Mr. BELL

MARCH 25, 1946

Referred to the Committee on Ways and Means

close of the first quarter of the next fiscal year, the title of any appropriation not being administered in accordance with the letter and spirit of such law, the reasons therefor, and the name and position of the official immediately responsible."

PHILIPPINE TRADE. The Ways and Means Committee reported without amendment H. R. 5856, to provide for trade relations between the U. S. and the Philippines (H. Rept. 1821)(p. 2689).

HOUSING APPROPRIATIONS. Passed, 355-1, as reported H. J. Res. 328, making appropriations for emergency housing, which was reported by the Appropriations Committee (H. Rept. 1816)(pp. 2677-82, 2689).

CANNERY STRIKE. Rep. Anderson, Calif., discussed the Calif. cannery strike and recommended seizure of the canneries (pp. 2683-7).

RURAL-REHABILITATION PROJECTS. Passed S. 704, to authorize the Secretary of Agriculture to continue administration of and ultimately liquidate Federal rural-rehabilitation projects. Agreed to an amendment by Rep. Hays, Ark., to substitute the language of H. R. 2501, which was passed by the House recently. (pp. 2687-8).

WHEAT SHORTAGE. Rep. McCormack, Mass., recommended a "wheatless day in restaurants to help starving peoples" (pp. 2671-2).

ELECTRIFICATION. Received from FPC a report summarizing data on production of electric energy, the installed capacity of electric generating plants, and the consumption of fuel for production of electric energy of U. S. electric utilities To Interstate and Foreign Commerce Committee. (p. 2689.)

MONOPOLIES. The Judiciary Committee reported with amendments H. R. 5535, to amend the Clayton Antitrust Act (H. Rept. 1820)(p. 2689).

COMMITTEE ASSIGNMENTS. Rep. O'Brien, Ill., was elected to the Ways and Means Committee and resigned from the Appropriations Committee (p. 2676).

SENATE

10. LABOR STANDARDS. Continued debate on S. 1349, the minimum-wage bill (pp. 2649-70). Sen. Mead, N. Y., inserted excerpts from the President's messages to Congress urging increases in the minimum-wage levels (pp. 2668-9).

11. FARM SCHOOL. Sen. Guffey, Pa., inserted the President's letter and a newspaper article congratulating the National Farm School (Doylestown, Pa.) on its fiftieth anniversary (p. 2647).

12. FARM MACHINERY; FARM LABOR. Sen. Wiley, Wis., called for action to alleviate the critical farm machinery and labor shortages and inserted a letter to the Secretary requesting his recommendations in the situation (pp. 2646-7).

13. PRICE CONTROL. Sen. Johnston, S. C., inserted a Balentine Packing Co. letter explaining that the company was discontinuing beef operations because of present price ceilings, and a National Independent Meat Packers Assn. statement and resolution calling for the elimination of price control on meat (pp. 2647-8).

14. RFC REPORT. Received an RFC report for activities of Nov., 1945 (p. 2645).

BILLS INTRODUCED

15. EXPORTS. S. 1980, by Sen. Thomas, Utah, to continue in effect section 6 of the Act of July 2, 1940, which permits the President to prohibit or curtail the exportation of any military equipment or munitions, machinery, tools, or material or supplies necessary for the manufacture, servicing, or operation thereof. To Military Affairs Committee. (p. 2646.)

16. NATIONAL RESOURCES. S. Res. 245, by Sen. Kilgore, W. Va., to provide an additional $57,000 for continuing a study of the possibilities of better mobilizing the national resources of the U. S., pursuant to S. Res. 146. To Audit and Control of Contingent Expenses Committee. (p. 2646)

17. WILDLIFE. H. R. 5885, by Rep. Stevenson, Wis., to promote the conservation of wildlife, fish, and game. To Rivers and Harbors Committee. (p. 2689.)

18. PUBLIC DEBT; TAXATION. H. R. 5886, by Rep. Knutson, Minn., to reduce the debt limit of the U. S. and to provide individual income-tax relief conditioned upon reduction of Federal expenditures. To Ways and Means Committee. (p.2689.) Remarks of author (pp. 2682-3).

19. FARM TENANCY; PUBLIC LANDS. H. R. 5891, by Rep. Chenoweth, Colo., to authorize and direct the Secretary to sell lands acquired under title III of the Bankhead-Jones Farm Tenant Act. To Agriculture Committee. (p. 2689.)

20. GRAIN EXPORTS. H. R. 5893, by Rep. Fuller, N. Y., to prohibit exportation of American grain to nations which are manufacturing alcoholic beverages from agricultural products while their people are starving. To Ways and Means Committee. (p. 2689.)

ITEMS IN APPENDIX

21. RURAL ELECTRIFICATION. Sen. Barkley, Ky., inserted the Secretary's address before the National Rural Electric Cooperative Association on the relationship between the REA program and other agricultural programs (pp. A1733-4).

22. FEED; FERTILIZER. Extension of remarks of Rep. Murray, Wis., including a Barron County (Wis.) News-Shield article criticizing the diversion of protein meals for feed to fertilizer for tobacco growers (p. A1736).

23. PRICE CONTROL. Rep. Monroney, Okla., inserted Chat Paterson's (American Veterans' Committee) testimony before the H. Banking and Currency Committee favoring the extension of price control (pp. A1736-7).

Rep. Larcade, La., inserted a constituent's telegram proposing that "the price committee of lumber producers be allowed to name a fair price and have OPA apply this price" (p. A1737).

Rep. Brown, Ga., inserted an AMVETS' statement favoring the continuation of OPA (p. A1757).

Rep. Knutson, Minn., inserted a St. Paul (Minn.) Dispatch article criticizing the OPA for "propagandizing the country in an effort to maintain itself in power" (p. A1768).

24. LIVESTOCK AND MEAT. Rep. Murray, Wis., inserted BAE tables showing a comparison of milk and nonmilk cattle on farms, Jan., 1939 and Jan., 1946 (pp.A1741-2)

25. LUMBER EXPORTS. Rep. Thom, Ohio, inserted a report of the Director of War Mobilization and Reconverson on lumber exports (pp. A1742-3).

28. Lake Charles deep waterway, Louisiana.
29. Plaquemine and Morgan City route, Louisiana.
30. Red River below Fulton, La.

(Friday, April 26)

31. Big Sandy River, Tug, and Levisa Forks, Va., W. Va., and Ky.

(Monday and Tuesday, April 29 and 30)

32. Arkansas River, Ark. and Okla.

(Wednesday, May 1)

33. Cumberland River, Tenn. and Ky.
34. Big Sioux River, S. Dak.
35. Mississippi River seepage, Iowa, Minnesota, and Wisconsin.
36. Mississippi River at Lansing, Iowa.
37. Mississippi River at Wabasha, Minn.
38. Mississippi River at Lake Pepin, Minn.
39. Mississippi River at Hastings, Minn.

(Thursday, May 2)

40. Fairport Harbor, Ohio.
41. Cleveland Harbor, Ohio.
42. Great Lakes connecting channels, Michigan.
43. Calumet-Sag Channel, Ind. and Ill.
44. Chicago River, North Branch of, Ill.
45. Napa River, Calif.
46. Coos Bay, Oreg.
47. Columbia River at Astoria, Oreg.
48. Columbia River at The Dalles, Oreg.
49. Columbia River, Foster Creek Dam, Wash.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1165. A letter from the Chairman, Federal Power Commission, transmitting copies of various reports summarizing data on the production of electric energy, the installed capacity of electric generating plants, and the consumption of fuel for production of electric energy of electric utilities in the United States; to the Committee on Interstate and Foreign Commerce.

1166. A letter from the Chief Scout Executive, Boy Scouts of America, transmitting a copy of the Thirty-sixth Annual Report of the Boy Scouts of America for the year 1945 (H. Doc. No. 516); to the Committee on Education and ordered to be printed, with illustrations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. CANNON of Missouri: Committee on Appropriations. House Joint Resolution 328. Joint resolution making an additional appropriation for veterans' housing and related expenses; without amendment (Rept. No. 1816). Referred to the Committee of the Whole House on the State of the Union.

Mr. CANNON of Missouri: Committee on Appropriations. H. R. 5890. A bill making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1946, and for prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1946, and for other purposes; without amendment (Rept. No. 1817). Referred to the Committee of the Whole House on the State of the Union.

Mr. MANSFIELD of Texas: Committee on Rivers and Harbors. H. R. 5674. A bill to amend the laws authorizing the performance of necessary protection work between the Yuma project and Boulder Dam by the Bureau of Reclamation; without amendment (Rept. No. 1818). Referred to the Committee of the Whole House on the State of the Union.

Mr. ELLIOTT: Joint Committee on the Disposition of Executive Papers. House Report No. 1819. Report on the disposition of certain papers of sundry executive departments. Ordered to be printed.

Mr. WALTER: Committee on the Judiciary. H. R. 5535. A bill to amend an act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914 (38 Stat. 730), as amended; with amendments (Rept. No. 1820). Referred to the Committee of the Whole House on the State of the Union.

Mr. DOUGHTON of North Carolina: Committee on Ways and Means. H. R. 5856. A bill to provide for trade relations between the United States and the Philippines, and for other purposes; without amendment (Rept. No. 1821). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. STEVENSON:

H. R. 5885. A bill to promote the conservation of wildlife, fish, and game, and for other purposes; to the Committee on Rivers and Harbors.

By Mr. KNUTSON:

H. R. 5886. A bill to reduce the debt limit of the United States and to provide individual income-tax relief conditioned upon reduction of Federal expenditures; to the Committee on Ways and Means.

By Mr. LANHAM (by request):

H. R. 5887. A bill to provide protection by registration of designs for woven-textile fabrics; to the Committee on Patents.

By Mr. McCORMACK:

H. R. 5888. A bill to fix the compensation of the Director of the Federal Bureau of Investigation; to the Committee on the Judiciary.

By Mr. SIKES:

H. R. 5889. A bill authorizing a modification of the project for improvement of the Apalachicola, Chattahoochee, and Flint Rivers, Fla. and Ga.; to the Committee on Rivers and Harbors.

By Mr. CHENOWETH:

H. R. 5891. A bill to authorize and direct the Secretary of Agriculture to sell lands acquired under title III of the Bankhead-Jones Farm Tenant Act, and for other purposes; to the Committee on Agriculture.

By Mr. BLAND:

H. R. 5892. A bill providing for a medal for service in the merchant marine during the present war; to the Committee on the Merchant Marine and Fisheries.

By Mr. FULLER:

H. R. 5893. A bill to prohibit exportation of American grain to nations which are manufacturing alcoholic beverages from agricultural products while their people are starving; to the Committee on Ways and Means.

By Mr. HÉBERT (by request):

H. R. 5894. A bill to authorize and direct the Commissioners of the District of Columbia to close Van Ness Street between Connecticut Avenue and Reno Road NW.; to the Committee on the District of Columbia.

By Mr. RAMEY:

H. R. 5895. A bill to provide appropriate pins for widows and next of kin of World War II veterans who received the Purple Heart posthumously; to the Committee on Military Affairs.

By Mr. CANNON of Missouri:

H. J. Res. 328. Joint resolution making an additional appropriation for veterans' housing and related expenses; to the Committee on Appropriations.

By Mr. HALE:

H. Con. Res. 138. Concurrent resolution designating the termination date of the act of July 14, 1941, providing for priorities in transportation by merchant vessels in the interests of national defense; to the Committee on the Merchant Marine and Fisheries.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. DOYLE:

H. R. 5896. A bill to extend the term of design patent No. 21,053, dated September 22, 1891, for a badge, granted to George Brown Goode, and assigned to the National Society, Daughters of the American Revolution; to the Committee on Patents.

By Mr. ROWAN:

H. R. 5897. A bill for the relief of Ohio Bell; to the Committee on Military Affairs.

By Mr. WELCH:

H. R. 5898. A bill for the relief of Etta H. Darby; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1729. By Mr. LUTHER A. JOHNSON: Petition of Russell C. Nye, administrator, Dallas City-County Hospital System, Dallas, Tex., favoring Senate bill 191 as it passed the Senate and opposing the amendment as suggested in House bill 5628; to the Committee on Interstate and Foreign Commerce.

1730. Also, petition of Robert O. Pugh, national service officer, Disabled American Veterans, Veterans' Administration, Waco, Tex., favoring House bill 5206; to the Committee on Labor.

1731. By Mr. PRICE of Illinois: Petition of Mascoutah, Ill., Local No. 74, Progressive Miners of America, recommending adoption of amendments to the social security law in line with the proposals resulting from the study recently completed by A. L. Altmeyer, Chairman, Social Security Board, which would lower retirement age for women to 60 years, increase benefits, and in general provide for many liberalizations in existing law; to the Committee on Ways and Means.

1732. By the SPEAKER: Petition of the commission council and mayor, city of New Orleans, petitioning consideration of their resolution with reference to endorsement of the Boren bill; to the Committee on Interstate and Foreign Commerce.

79th Congress 2d Session } HOUSE OF REPRESENTATIVES { Report No. 1821

PHILIPPINE TRADE ACT OF 1946

March 26, 1946.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Doughton of North Carolina, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 5856]

The Committee on Ways and Means, to whom was referred the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

Objective of the Bill

The primary objective of this bill is the establishment of mutually advantageous trade relations between the United States and the Republic of the Philippines for a period of 28 years following the latter's independence on July 4, 1946. It is designed to provide incentives for the rehabilitation and development of the productive capacity of the war-ravaged islands and to provide stability to future commerce between the two countries. The principal matters dealt with are:

1. Customs duties on a reciprocal basis, preferential as against all other countries.
2. Establishment of quotas on the imports of certain Philippine products.
3. Reciprocal nondiscriminatory treatment in the field of taxes.
4. Adjustments in the immigration laws of both countries to meet the pressing needs of the immediate future.
5. Protection of United States citizens and American business enterprises, regardless of form, against discriminatory treatment.

To accomplish the above objective, the bill (1) authorizes an executive agreement with the Philippines, whereby both countries accept specific provisions set forth in the bill, and (2) provides a

method under which the statutes necessary to put these specific provisions into effect will be in force as of the time of the taking effect of the agreement, and (3) provides statutes to govern the period between the date of the enactment of the act and July 4, 1946.

The providing of statutes necessary to meet the objective of the agreement is accomplished, on the part of the United States, by the enactment in this bill of the provisions of title II, which thereupon become immediately effective as statutes of the United States, with suspension and termination clauses provided elsewhere in the bill.

An equally effective device (employed for the first time in this bill) to insure prompt statutory compliance with the objectives of the agreement on the part of the Philippines is found in the provisions of section 401, which states that the executive agreement must itself provide that it shall not take effect until the Philippine Legislature accepts it by law, and by law places in effect, as laws of the Philippines, the provisions of title III of the bill, which set forth in precise statutory form the obligations of the Philippines, corresponding in most part to the United States statutes enacted by title II. Under the bill the provisions of title III will for the period up to July 4, 1946, be effective as statutes of the United States binding on one of our possessions. It is believed that such Philippine legislation as is required by section 401 would be of a short, simple nature. All that would seem to be required is a resolution of the two Houses of the Philippine Congress, signed by the President of the Philippines, accepting the executive agreement and providing that the provisions of parts 2, 3, 4, and 5 of title III shall take effect as laws of the Philippines.

Importance of Definitions

Before entering upon a discussion of the contents of the bill the committee wishes to emphasize the importance of the definitions contained in section 2 of the bill. It is exceedingly difficult, if not impossible, to understand the effect of the bill unless there is borne in mind the fact that many of the key words in the bill are defined terms. It is also important, in the reading of the following portions of this report, to bear in mind these definitions, or at least to remember that the statements made can be applied with exactness only in the light of the definitions.

Particular attention is called to the definition of "Philippine article" found in section 2 (a) (4) of the bill, which confines a "Philippine article" to a product of the Philippines not more than 20 percent of the value of which consists of the value of imported materials used in its production. Another important definition is that of "United States duty" (sec. 2 (a) (6)) which means the rate of duty which would be applicable to the article if imported from that country which is entitled to the lowest rate of duty with respect to such article when imported into the United States. Another important term used is "ordinary customs duty" which is defined (sec. 2 (a) (3)) to include duties usually thought of when the term "tariff" or "customs duty" is used in ordinary conversation. The term is defined so as not to include special duties, such as additional duties for undervaluation, anti-dumping duties, countervailing duties, etc.

Principal Provisions Summarized

Following is a brief summary of the principal provisions of the bill, a detailed explanation of which will be found in this report under the heading "Detailed Analysis of Bill, Section by Section":

1. Tariffs and quota restrictions

Duty-free trade.—All commodities qualifying as "Philippine articles" are provided free entry under the pending bill in the period from the day after enactment of this act to July 3, 1954. Trade in the principal products imported from the Philippines during that period will be limited by quotas. All commodities not "Philippine articles" as defined are subject to the full world duty throughout the period of the entire agreement.

Graduated duties.—Beginning July 4, 1954, all commodities imported into the United States from the Philippines qualifying as "Philippine articles," with the exceptions noted below, will become subject to graduated duties. In general, these duties are a percentage of the lowest United States duty accorded to any nation (now Cuba), increasing by 5 percent annually until they have reached 100 percent. After July 3, 1974, the duty on all imports from the Philippines will be the regular world rate.

Quota restrictions on imports.—Beginning with the calendar year 1946 and extending throughout the life of the agreement (July 3, 1974), the following absolute quotas are imposed on "Philippine articles" which make up the bulk of Philippine exports to the United States:

Sugar	short tons	850, 000
Cordage	pounds	6, 000, 000
Rice	do	1, 040, 000
Cigars		200, 000, 000
Scrap and filler tobacco	pounds	6, 500, 000
Coconut oil	long tons	200, 000
Pearl buttons	gross	850, 000

During the period from July 4, 1954, to July 3, 1974, imports of sugar, cordage, and rice, if "Philippine articles," will get the benefit of the graduated duties.

Duty-free quotas.—In addition to the foregoing absolute quotas, diminishing duty-free quotas are imposed by the bill on cigars, scrap and filler tobacco, coconut oil, and pearl buttons. From the effective date of the act through 1954, the quantities permitted entry, referred to above, will be free of duty, if "Philippine articles." Beginning with the calendar year 1955 and extending to 1974, duty-free quotas reduced 5 percent annually from the basic absolute quotas will be in effect. During this period, imports in excess of the duty-free quotas will be subject to the full United States duty, that is, the lowest duty accorded to any foreign country (now Cuba), rather than upon a graduated percentage thereof.

Additional quotas may be imposed.—In order to insure against substantial future competition, the pending bill provides that the President may impose quotas on other "Philippine articles" if, after investigation by the United States Tariff Commission, it is found that such articles are coming or are likely to come into substantial competition with like articles produced in the United States.

2. Nondiscriminatory tax treatment by each country with respect to imports received from the other.

3. Assurances by the Philippines that American citizens or business enterprises, regardless of the form of such enterprise, operating in the Philippines, shall not be discriminated against in the development and utilization of natural resources and public utilities.

4. Authorization of an executive agreement to be entered into between the Presidents, respectively, of the United States and the Philippines to take effect upon its acceptance by the Congress of the Philippines and upon enactment by the Congress of the Philippines of legislation necessary to put into effect the provisions of parts 2, 3, 4, and 5 of title III (Obligations of the Philippines) as laws of the Philippines.

5. Termination of the agreement on July 3, 1974.

6. Termination of such agreement by the other country for any reason on 5 years' notice; or upon 6 months' notice if either party adopts or applies measures or practices which would operate to nullify or impair any right or obligation provided for in such agreement.

7. Termination of the agreement by the President of the United States if the President determines that a reasonable time has elapsed for any necessary amendments to the Philippine Constitution to have been made but that such amendments have not been made.

8. Provisions in the agreement under which, if the President finds that the Philippines are in any manner discriminating against citizens of the United States or any form of United States business enterprise, the United States may suspend the agreement in whole or in part and, if the discrimination does not cease, may terminate the agreement.

9. Termination of the authority of the President of the United States to enter into the agreement when he has determined and proclaimed that a reasonable time has elapsed without action taken by the Philippines to enter into, accept, and place such agreement in effect.

10. While sugar legislation by itself is not within the jurisdiction of the Ways and Means Committee, the establishment in the bill of a sugar quota of 850,000 short tons is recognition of the need to give every possible encouragement to the expansion of domestic sugar production. In effect, the quota in the pending bill is a step in this direction, reducing the quota under existing levels by about 11 percent.

THE NEED FOR THIS LEGISLATION

Under the terms of existing law governing the termination of political sovereignty of the United States in the Philippine Islands (Tydings-McDuffie Act, as amended) the Philippines, on July 4, 1946, will be a sovereign nation, and as such, in the absence of special legislation, full tariff duties will be levied against Philippine products entering the United States after that date.

There is no question that application of full foreign tariff duties to the Philippines on July 4 of this year would effectively prevent the importation of several Philippine commodities which have, in the past, occupied a place of importance in the Philippine-American trade, particularly coconut oil and tobacco products. On February 11, the President of the United States, commenting on a bill then pending to effect the general purposes of the bill now under consideration, wrote the chairman of your committee as follows:

We are in accord that assistance to the Philippine Islands is necessary and must be provided promptly. All of us agree, at least in principle, with the legislation and approve most, if not all, of the detail thereof.

I ask that your committee give early consideration to H. R. 5185, now pending before you, as it is vital to the welfare of the Philippines and their economic stability and such stability is most important from the United States point of view. Time is of the essence.

The pending bill is the successor of H. R. 5185.

With the Philippines about to become a sovereign, independent nation it is imperative that our trade relations with the islands be defined at once and that the pattern of such relations be cut in such manner that the Philippines will derive the greatest possible assistance in the reestablishment and future development of their national economy. The United States is deeply concerned in the welfare of the Islands. It is to our advantage as well as to the advantage of the Philippines that our trade relations be placed upon a sound basis as provided for in this bill.

In the course of hearings held by your committee, it was made abundantly clear that the Philippines, in order to reestablish a normal economy and to develop resources for sustaining its independence, will require the assurance of stability in its trade with the United States. By the same token the United States, in order to render the greatest possible assistance to the Islands, will require equal assurances from the Philippines. These basic considerations weighed heavily with the committee in approving this particular bill.

The committee recognizes that conditions may arise in the course of the 28-year period covered by this bill which may reveal weaknesses in some of its provisions. It is difficult, if not impossible, to devise legislation intended to operate so far in advance without running the risk of error, but your committee believes that in view of the urgency of the present situation in the Philippines and their immediate need for the assistance which will follow enactment of this legislation that whatever defects may be revealed with the passage of time are relatively unimportant at the present time.

EXPLANATION OF FRAMEWORK OF BILL

The bill represents a new departure in the field of international agreements, and their implementation and enforcement. Therefore the committee feels that a statement as to the part which each of titles II, III, and IV performs in the framework of the bill and of the proposed executive agreement, will facilitate an understanding of the bill and of the methods made use of to attain, in the most expeditious and effective manner, the objectives sought.

TITLE II

The provisions of this title constitute legislation by the Congress, like any other statute passed by it. The provisions of this title will also be accepted by both the United States and the Philippines, if the executive agreement contemplated by the bill (and provided for in title IV) goes into effect, as binding upon them. Under section 403 the United States, in the agreement, will agree to continue the provisions of the title as United States law during the effectiveness of the agreement.

There is indicated below the length of time for which these statutes of the United States will, under the terms of the bill, continue in effect.

(1) *Period from date of enactment of act until July 4, 1946.*—During this period (the Philippines being still one of our possessions) the provisions of title II will remain in force, unless repealed by Congress.

(2) *Period from July 3, 1946, to taking effect of agreement.*—The same is true during this period (when the Philippines are an independent nation), but by section 502 of the bill Congress vests in the President power to suspend, in whole or in part, the provisions of title II if he finds that the Philippines are not doing their utmost to grant us the benefits which they will be bound by the executive agreement to grant when that agreement takes effect.

Provision is also made (sec. 407) that if the President finds that a reasonable time for the making and taking effect of the agreement has elapsed, but that the agreement has not taken effect, he shall so proclaim, and thereupon the provisions of title II cease to have effect as laws of the United States.

(3) *Period during effectiveness of executive agreement.*—During this period the provisions of title II remain in effect in a dual role—as statutes of the United States, and also as provisions by which, under the terms of the agreement, the United States agrees to be bound.

During this period, also, under the terms of the agreement the Philippines agree to accept all these provisions, not only the ones conferring benefits on them, such as rights of free entry and preferential rates for "Philippine articles" as defined in section 2 (a) (4), but also the provisions which impose limitations on them, such as part 2, which places quotas on certain "Philippine articles."

It is of course true that any of these statutes can be repealed or amended by the Congress like any other statutes, but, after the agreement takes effect, such repeal or amendment would constitute a violation of the agreement, if enacted during its effectiveness.

Ample right (secs. 404 and 501) is given the United States to terminate the agreement, and if it is terminated the provisions of title II cease to have effect as laws of the United States.

TITLE III

Title III is divided into five parts. Under the provisions of part 1 (sec. 301) the other four parts, under which the United States receives certain benefits, are binding on the Philippines until July 4, 1946, when they become an independent nation.

As to the period between July 4, 1946, and the taking effect of the executive agreement provided for in title IV, Congress cannot, of course, legislate for an independent nation, but in section 301 it is stated that it is the expectation of Congress that the provisions of parts 2, 3, 4, and 5 of this title will be observed and executed by the Philippines to the fullest extent possible under their constitution.

After the taking effect of the agreement the provisions of parts 2, 3, 4, and 5 will (1) be binding on the Philippines, because accepted by them as a part of the agreement, and (2) constitute laws of the Philippines, because by section 401 of the bill the agreement is not to take effect until the Philippine Legislature has not only accepted the agreement entered into by their President but has also enacted legislation making the provisions of parts 2, 3, 4, and 5 of title III effective as laws of the Philippines.

TITLE IV

Title IV of the bill authorizes, subject to certain limitations, the making by the President of the United States of an executive agreement with the President of the Philippines, providing for the acceptance on the part of each country of the provisions of title II and title III (except part 1) of the act.

In the bill Congress, in advance, sets forth in detail its policy with respect to matters of customs duties, quotas, taxes, and immigration, with which Congress is so vitally concerned, and makes the changes in our statutory domestic law necessary to give effect to the contemplated agreement with the Philippines relating to such subjects. The provisions of the bill, so far as they operate as statutes of the United States, constitute, under the contemplated agreement, the identical provisions by which the United States and the Philippines are to be bound after the making of the agreement.

If the agreement is entered into in accordance with the provisions of title IV, the changes in our statutory domestic law made by the bill will continue in effect during the effectiveness of the agreement.

Title IV of the bill in no way attempts to interfere with the powers and the rights that the President may have, under our Constitution, to enter into executive agreements with governments of foreign countries. Obviously, Congress cannot compel the President to enter into an agreement with the Philippines, or restrain him from making a wholly different agreement from the one contemplated by the bill, and the bill makes no attempt to impose upon him any compulsion or restraint of this character.

If the President, however, should enter into an agreement with the Philippines the terms of which do not conform with title IV of the bill, there would be no obligation on the part of Congress to continue in effect, for purposes of making that agreement effective, the changes in our statutory domestic law made by the bill. Such an agreement might grant to the Philippines either more or less benefits than those contemplated by the bill, and the obligations to be assumed by the Philippines under such an agreement might differ from those contemplated by the bill. Under such circumstances, the making of changes in our law necessary to make the agreement effective would be a matter for future consideration by the Congress.

In brief, while Congress cannot force the President to enter into an agreement of which he does not approve, neither can the President compel the Congress to enact legislation necessary to give effect to an executive agreement the policies of which it does not approve.

Title IV also (secs. 402 and 403) details certain provisions which are to be incorporated in the executive agreement as binding on the two countries; provides that the agreement shall terminate on July 3, 1974, and methods for its earlier termination by either party (sec. 404), and provides (sec. 407) that the agreement must be entered into and take effect within a reasonable time after July 3, 1946.

IMMIGRATION AND NATURALIZATION

The committee decided to leave to future legislation formulated by the immigration committees of the House and Senate the broad question of immigration from and to the United States to and from

the Philippines, and the naturalization of Filipinos, incorporating in this bill only provisions necessary to meet problems pressing for immediate solution.

Immigration to United States.—On July 4, 1946, the Philippines will be entitled to a quota of 100 under our laws, but Filipinos and persons of Filipino descent will generally speaking be excluded (sec. 13 (c) of Immigration Act of 1924) from entry under that quota on the ground of their ineligibility to citizenship (sec. 303 of Nationality Act of 1940). Natives of the Philippines will (with the possible exception of persons there born but not of Filipino descent) be barred from entry by the so-called "barred zone" clause of section 3 of the Immigration Act of 1917. Unless excluded by such "barred zone" provision white persons, persons of African nativity or descent, descendants of races indigenous to the Western Hemisphere and Chinese persons and persons of Chinese descent, will, if born in the Philippines, be entitled to entry under the annual quota of 100.

It seems to the committee that the broad question here involved should be taken up by the Committee on Immigration and Naturalization of the House at an early date, if indeed it has not already been taken up.

The committee has, however, retained in the bill section 231, under which Philippine citizens who resided here for 3 years immediately preceding November 30, 1941, may be admitted as nonquota immigrants during a 5-year period starting in July 4, 1946. This provision (which is fully explained in the "Detailed Analysis of Bill, Section by Section" part of this report) will ensure the right to return to this country for permanent residence of a number of Philippine citizens who left this country after Pearl Harbor to fight against Japan.

Naturalization of Filipinos.—The House last April passed H. R. 776, making eligible to naturalization Filipinos and persons of Filipino descent. While the Senate has not yet passed it, there is reason to hope that it will soon be enacted into law. In any event this question, with the technical details connected with it, the committee did not feel justified in attempting to solve.

Immigration into Philippines.—The problems involved in the entry of our citizens into the Philippines after independence, are quite clearly to be met only by legislation by the Philippines, or by provisions contained in the executive agreement authorized by the bill. Two matters are of immediate urgency:

The one, correlative to that discussed under a preceding paragraph, relates to the need of our citizens who resided in the Philippines for 3 years prior to November 30, 1941, and were forced out by the war. Section 331 of the bill, which on the taking effect of the executive agreement will become a law of the Philippines, permits their reentry into the Philippines, for permanent residence, if they enter during the 5 years beginning July 4, 1946. The section is fully explained in the portion of this report entitled "Detailed Analysis of Bill Section by Section."

The other pressing need is for the entry into the Philippines, for a more limited stay, of a number of our citizens, especially technicians and specialists, in order to facilitate the rehabilitation of the industries of the Philippines. Under the Philippine immigration laws, beginning July 4, 1946, each country, including the United States, has an annual quota of 500, a number inadequate for the needs of rehabilitation work. Accordingly, the agreement when made, will contain a provision (sec. 402 (e)) under which during each of a period of years, specified in the agreement (not less than five) an additional number, specified in the agreement (not less than 1,000) of our citizens, will be entitled to enter the Philippines, and to remain there for a length of time specified in the agreement. Section 332 of the bill implements this provision of the agreement and, as law of the Philippines when the agreement takes effect, will permit the entry of our citizens in accordance with the terms of the agreement.

Rights of American Citizens and Business Enterprises

The rehabilitation and development of the Philippine economy and natural resources, and the establishment of a solid foundation for its industries, call not only for new capital but for men experienced in business management and technical skills. It is to the United States primarily that the Philippines must look for this capital and these men. Obviously American capital and business enterprise cannot be attracted to the islands without assurances that their rights will be protected.

In order to furnish this assurance the bill contains two provisions, the first calling for a necessary amendment to the Philippine Constitution, and the second, a clause to be inserted in the proposed agreement under which the United States reserves the right to suspend or terminate the agreement if the President determines that our citizens or business enterprises are being discriminated against.

Amendment to Constitution of Philippines.—Articles XII and XIII of the Philippine Constitution contain clauses under which the disposition, exploitation, development, and utilization of the public domain and natural resources of the Philippines and the operation of public utilities, are confined to citizens of the Philippines and corporations at least 60 percent of the capital of which is owned by Philippine citizens.

Section 341 of title III provides that the disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities, shall, if open to any person, be open to citizens of the United States and to all forms of business enterprise owned or controlled, directly or indirectly, by United States citizens.

It is apparent that the terms of this section cannot be fully complied with by the Philippines without a violation of their constitution.

Accordingly it is provided in the bill (sec. 401 (b)) that the obligations of the Philippines to observe and execute, as law of the Philippines, so much of section 341 as is in conflict with their constitution, will not arise until such time as the necessary constitutional amendment has been made.

The bill also provides (sec. 404 (c) (1)) that if the President finds undue delay in the adoption of the constitutional amendment, he shall so proclaim, and thereupon the agreement shall cease to be in effect.

Discrimination against United States.—The second safeguard above adverted to is found in section 404 (c) (2) and (3), clauses of the agreement under which the United States has the right, if the President, after consultation with the President of the Philippines, determines that there is any discrimination against United States citizens or any form of United States business enterprise, to suspend the whole or any part of the agreement. If the discrimination does not cease within a reasonable time as determined by our President, the United States has the right to terminate the agreement on not less than 6 months' notice.

Section 501 of the bill carries out this clause of the agreement. By it, when the President makes the required determination of discrimination, he shall so proclaim, and the agreement, or such part as he specifies as necessary to protect our interest, is suspended until he determines that the discrimination has ceased. If the President determines that, after the lapse of a time determined by him to be reasonable, the discrimination has not ceased, he is to give to the Philippines notice of our intention to terminate the agreement.

Analysis of Quotas, Tariffs, and Principal Philippine Exports to the United States

Although reciprocal free trade between the United States and the Philippines was first instituted in 1909, the United States has imposed restrictions from time to time on the importation of certain products into the United States. The Philippine Independence Act of 1934 established duty-free quotas on sugar, coconut oil, and cordage, with all shipments of these commodities in excess of the duty-free quotas subject to full duty. In 1935 an absolute quota was imposed on cordage. The 1939 amendments to the Independence Act, in addition to continuing the quotas on sugar and cordage, established diminishing duty-free quotas on other products, namely, cigars, scrap and filler tobacco, coconut oil, and pearl or shell buttons.

The pending bill continues in effect quota provisions with certain modifications. Specifically, absolute quotas are established in the bill as shown in the following table. Also shown in the table are the average annual shipments into the United States from the Philippines in various periods of the articles subject to quotas.

Absolute quotas provided in bill regulating United States-Philippine Islands trade (H. R. 5856), and actual average shipments in specified periods

Commodity	Unit of quantity	Annual quotas provided by H. R. 5856	Average annual shipments into the United States from Philippine Islands, 1926–29, inclusive	Average annual shipments into the United States from Philippine Islands, 1934–37, inclusive
Sugar	Short ton	850,000	549,173	979,283
Cordage	Pound	6,000,000	5,108,399	6,393,700
Rice	do	[1] 1,040,000	123,807	6,589,630
Coconut oil	Long ton	[2] 200,000	144,195	149,932
Cigars	Number	[2] 200,000,000	(3)	192,549,252
Scrap tobacco and stemmed and unstemmed filler tobacco.	Pound	[2] 6,500,000	2,554,380	3,452,409
Buttons of pearl or shell	Gross	[2] 850,000	831,755	716,225

[1] The average annual imports from the Philippines during the period 1937–41.
[2] Quantity of "Philippine articles" entitled to free entry is reduced by 5 percent each year beginning in 1955.
[3] Not reported in number prior to 1934.

Source: U. S. Tariff Commission, United States-Philippine Trade, Report No. 118; Joint Preparatory Committee on Philippine Affairs, May 20, 1938; Foreign Commerce and Navigation of the United States.

The quotas, except in the case of cordage, apply only to Philippine articles. The cordage quota applies to Philippine products whether or not they come under the definition of Philippine articles.[1]

Under the pending bill, the tariff status of imports of sugar, cordage, and rice (and all other products except cigars, tobacco, coconut oil, and pearl buttons), insofar as they are "Philippine articles," will be as follows: During the period beginning with the effective date of the act and ending July 3, 1954, inclusive, imports will be free of ordinary customs duty; from the period July 4 to December 31, 1954, inclusive, imports will be dutiable at 5 percent of the lowest United States duty accorded to any foreign country (now Cuba), and for the calendar year 1955 at 10 percent of such duty; for the calendar years 1956 to 1972, inclusive, the duty will be increased annually by an additional 5 percent of the United States duty until in the period January 1, 1973, to July 3, 1974, inclusive, imports will be dutiable at 100 percent of the lowest United States duty accorded to any foreign country.

After July 3, 1974, these products will be dutiable at the same rates of duty that would be applicable to the products of other foreign countries. In other words the United States will not, after that date, accord tariff preferences to "Philippine articles" unless further legislation is adopted.

QUOTAS AND TARIFFS IN GENERAL

Throughout the period covered by the bill, the absolute quotas remain in effect on sugar, cordage, rice, cigars, scrap and filler tobacco, coconut oil, and pearl buttons, but in addition to the absolute quotas, diminishing duty-free quotas are also established on cigars, scrap and filler tobacco, coconut oil, and pearl buttons, providing for free entry of an amount reduced by 5 percent annually starting in 1955 from the base amount of the absolute quotas.

[1] See detailed analysis of bill section by section, sec. 2 (a) (4) infra.

Beginning in 1955 imports of cigars, scrap and filler tobacco, coconut oil, and buttons over and above the duty-free quotas but within the limits of the absolute quotas will be subject to the lowest United States duty accorded to any foreign country (now Cuba) and these products are, therefore, excluded from the graduated tariff increases applicable to sugar, cordage, and rice, and other commodities not named specifically in the bill. The amounts of the specified articles that may be entered into the United States in each year free of ordinary customs duties appear in the bill as follows:

Duty-free quotas on "Philippine articles" in specified years

Year	Cigars	Tobacco	Coconut oil	Pearl buttons
	Number	*Pounds*	*Long tons*	*Gross*
Each year, 1946 to 1954, inclusive	200, 000, 000	6, 500, 000	200, 000	850, 000
1955	190, 000, 000	6, 175, 000	190, 000	807, 500
1956	180, 000, 000	5, 850, 000	180, 000	765, 000
1957	170, 000, 000	5, 525, 000	170, 000	722, 500
1958	160, 000, 000	5, 200, 000	160, 000	680, 000
1959	150, 000, 000	4, 875, 000	150, 000	637, 500
1960	140, 000, 000	4, 550, 000	140, 000	595, 000
1961	130, 000, 000	4, 225, 000	130, 000	552, 500
1962	120, 000, 000	3, 900, 000	120, 000	510, 000
1963	110, 000, 000	3, 575, 000	110, 000	467, 500
1964	100, 000, 000	3, 250, 000	100, 000	425, 000
1965	90, 000, 000	2, 925, 000	90, 000	382, 500
1966	80, 000, 000	2, 600, 000	80, 000	340, 000
1967	70, 000, 000	2, 275, 000	70, 000	297, 500
1968	60, 000, 000	1, 950, 000	60, 000	255, 000
1969	50, 000, 000	1, 625, 000	50, 000	212, 500
1970	40, 000, 000	1, 300, 000	40, 000	170, 000
1971	30, 000, 000	975, 000	30, 000	127, 500
1972	20, 000, 000	650, 000	20, 000	85, 000
1973	10, 000, 000	325, 000	10, 000	42, 500
1974	0	0	0	0

The purpose of fixing absolute quotas in the bill is to restrict the amount of the specified products that may enter the United States in any calendar year. The products for which absolute quotas are fixed, which are among the major Philippine export products, are generally competitive with the products of United States industry.

While recognition is given to the necessity of giving special treatment to imports from the Philippines for a specified period to enable producers in the islands to make necessary adjustments in order to compete in the United States on the same basis as other foreign countries and in world markets, it is also logical and reasonable that definite limits should be placed upon the amounts of such articles that may enter the United States. Quotas will also tend to prevent an uneconomic expansion of Philippine industry dependent upon preferences in the United States market.

The purpose of the duty-free quotas in the bill is to give Philippine industries the opportunity, over a long period of time, to make gradual adjustment in their internal operations so that by the end of the period they will be in a position to compete in world markets without tariff preferences. Heretofore, these products have found an exclusive market in the United States because of the preferential treatment given to its products.

ALLOCATION OF QUOTAS

In addition to fixing quotas, the method by which such quotas, other than that on rice, must be allocated among the manufacturers is also set forth in the bill. In general, quotas will be allocated to manufacturers exporting to the United States from the Philippines in the calendar year 1940 upon the basis of their average annual production in specified base periods. In the case of sugar allocations, the base period is the annual average production of the producers in the years 1931, 1932, and 1933; for cordage it is the amount produced by each manufacturer which was exported in the 12 months immediately preceding the inauguration of the Commonwealth government (November 1935); the allocation of the duty-free quota products will be upon the basis of products of each manufacturer exported to the United States in the calendar year 1940.

PROCESSING AND OTHER TAXES

Provision is made in the proposed executive agreement with the Philippines by which the United States promises to continue in force, during the effectiveness of the agreement, the preferential processing tax with respect to coconut oil. This tax preference of 2 cents per pound has been in effect since the processing taxes were enacted in 1934 except that it has been temporarily suspended during the war when adequate supplies of Philippine copra and coconut oil were not available. Except for periods in which supplies from the Philippines are inadequate, the United States will impose a processing tax 2 cents per pound higher on coconut oil derived from copra produced in third countries than on coconut oil derived from Philippine copra. This tax preference has in the past resulted in the United States obtaining practically all its supplies of coconut oil from the Philippines either in the form of oil or in the form of copra, which is crushed in the United States, and it may be expected that during the effectiveness of the agreement the Philippines will supply us with practically all of our coconut oil. The bill authorizes the President to suspend the 2-cent preference when supplies from the Philippines are not adequate.

The bill also provides for nondiscriminatory internal tax treatment on Philippine products in the United States. In other words, having provided for preferential tariff treatment, the United States cannot nullify such preferences by discriminatory internal taxes. On the other hand, the United States reserves full rights to impose compensating taxes on imports to offset internal taxes imposed with respect to like domestic articles or with respect to the materials used in the production of like domestic articles. For example, while the United States will unqualifiedly admit sugar free of ordinary customs duty in the period ending July 3, 1954, it has full rights to impose on imports of manufactured sugar a tax equivalent to the tax imposed with respect to like sugar produced in the United States. However, such compensating taxes cannot be substantially more than is necessary to offset the internal taxes.

Provision is also made that internal taxes on Philippine products will be no higher than internal taxes on like products imported from third countries.

The bill leaves undisturbed the internal taxes on oleomargarine adulterated butter, and filled cheese, imposed under sections 2306, 2327, and 2356 of the Internal Revenue Code.

These taxes are:

	Internal revenue tax on manufacture, per pound	Internal revenue tax on imported article, per pound
Secs. 2300-2327, Internal Revenue Code:		
Oleomargarine	10 cents (colored), ¼ cent (uncolored)	15 cents.
Adulterated butter	10 cents	
Secs. 2350-2362, Internal Revenue Code: Filled cheese	1 cent	8 cents.

TERMINATION OF PAYMENTS INTO PHILIPPINE TREASURY

Under existing law the proceeds of duties and taxes collected in the United States on Philippine goods, including especially the proceeds of the processing tax under section 2470 of the Internal Revenue Code on coconut oil derived from Philippine copra, have been paid either directly into the treasury of the Philippines or held as a separate fund and then paid into the Philippine treasury. In effect this arrangement constitutes a continuing appropriation of these funds for the benefit of the Philippines.

It is clearly undesirable for the Congress to continue such an arrangement of collecting taxes from the American people for the direct account of a foreign government, and the payments to the Philippines will cease with respect to taxes collected after July 3, 1946 (see sec. 506 of the bill).

Existing law has provided for the payment to the Philippines of taxes "accrued" up to July 3, 1946. The bill provides that the payment shall be terminated with respect to taxes "collected" after July 3, 1946. The shift from the accrual to a collection basis is made largely for reasons of administrative convenience. While on the face of it, it may seem to deny the Philippines the proceeds of taxes accrued before independence but not collected until thereafter, on the other hand, the Philippines will not be called on to make up the money which will be paid by the United States after July 3, 1946, as refunds to taxpayers because of incorrect collections prior to independence; such refunds have heretofore been charged against the funds standing to the credit of the Philippine government.

The termination of these payments is a very important matter inasmuch as for the past several years they have constituted one of the principal sources of revenue to the Philippine government, the deposits into the fund and available for withdrawal by the Philippine government amounting in the period 1938–40 to an average of $30,000,000 annually.

The continuance of our historic policy of exempting manila (abaca) fiber not dressed or manufactured in any manner from processing or other internal taxes is provided for in the bill. This fiber is not produced in the United States.

PRINCIPAL PHILIPPINE EXPORTS

The products for which quotas are established in the bill comprise the great bulk of Philippine exports to the United States. Because of the importance of these products to Philippine economy as well as to United States consumption, a brief analysis is given below of each of the products for which quotas are fixed.

SUGAR

Importance of sugar industry in Philippine economy.—Sugar culture was carried on in the Philippines before the Spanish came to the islands in 1521 but modernization of the industry did not begin until about 1910. It was not until 1923, however, that production of centrifugal sugar exceeded that of the old-type muscovado sugar which is extracted by boiling cane juice in large open kettles over fires.

The most rapid expansion in the industry in both acreage and production occurred in the years 1929 to 1934 when the question of Philippine independence was being debated by the United States Congress. Philippine centrifugal sugar production reached a peak of 1,598,000 short tons in 1934. Since that time, it has declined primarily because of the quota provisions of the Independence Act and of our sugar legislation (the Jones-Costigan Act and the Sugar Act of 1937).

In 1939 there were 46 sugar centrals (mills) with an annual capacity of about 1,500,000 short tons based upon a normal grinding period annually of 150 days. In the early 1930's the Philippines supplied something less than 5 percent of the world production of sugar. Because of its commanding position in Philippine export trade, sugar is of great significance to Philippine economy.

Investments in the industry in 1935 were estimated at $265,000,000, of which $84,000,000 were invested in centrals (mills). Of the total capital invested in centrals, approximately 45 percent was owned by Filipinos, 30 percent by Americans, and 25 percent by Spaniards. Most of the investments in cane lands and in improvements thereto have been made by Filipinos.

Sugar production in the Philippines is organized on a different basis from that found in many other cane sugar producing areas. In Philippine production, the two principal factors are the individual planters, who produce the cane, and the centrals, which mill it, very little cane being produced by the centrals. Individual planters operate under a milling contract with the central. Contracts were usually drawn for a period of 30 years and provided that the planters receive 50 to 60 percent of the sugar extracted from their cane.

The Philippine sugar industry is located in three principal producing regions: (1) The island of Negros; (2) the Provinces of Pampanga, Bataan, and Tarlac (central Luzon); and (3) the Provinces of Batangas and Laguna (southwestern Luzon). These districts generally produce nearly 90 percent of the total sugar, Negros alone accounting for about 55 percent of the total. According to estimates made by the Philippine Sugar Association in 1934, from 10 to 15 percent of the total Philippine population is dependent entirely, or substantially, upon the

sugar industry. The degree of dependence, however, varies markedly from province to province.

Since 1923 the value of exports of sugar has been greater than that of exports of any other Philippine product. Exports of sugar exceeded 1,000,000 short tons in 1932, for the first time in Philippine history and increased to a peak of 1,275,000 short tons in 1934. Practically all of the sugar exported from the Philippines in recent years has been for the United States market. The following table shows, for a series of years, the quantity and value of the exports of sugar and the proportion going to the United States:

Sugar: Quantities and values exported from the Philippines to all countries and to the United States, 1928–40

Year	Total exports		Ratio of total value of exports of sugar to total value of all Philippine exports	Exports to the United States		Ratio of quantity of exports of sugar to the United States to total quantity of such exports to all countries
	Quantity	Value		Quantity	Value	
	Short tons, raw value		*Percent*	*Short tons, raw value*		*Percent*
1928	628, 863	$47, 542, 940	30. 7	589, 565	$45, 699, 006	93. 75
1929	767, 596	53, 244, 149	32. 4	740, 206	52, 161, 316	96. 43
1930	822, 201	52, 240, 226	39. 2	814, 736	52, 039, 890	99. 09
1931	833, 080	49, 963, 105	48. 1	832, 430	49, 950, 417	99. 92
1932	1, 124, 971	59, 801, 884	62. 7	1, 124, 691	59, 796, 369	99. 98
1933	1, 193, 260	64, 333, 426	60. 8	1, 193, 244	64, 332, 902	99. 99
1934	1, 275, 313	65, 454, 580	59. 3	1, 275, 250	65, 453, 621	99. 99
1935	573, 510	32, 990, 680	35. 0	572, 724	32, 961, 593	99. 86
1936	991, 892	61, 937, 322	41. 9	991, 646	61, 927, 184	99. 97
1937	960, 153	57, 706, 194	38. 1	956, 805	57, 610, 521	99. 65
1938	957, 076	50, 022, 024	43. 2	956, 728	50, 002, 686	99. 96
1939 [1]	670, 804	34, 466, 375	50. 7	670, 645	34, 458, 146	99. 90
1940 [2]	798, 695	39, 494, 605	34. 8	798, 261	39, 466, 490	99. 95

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Position of Philippine sugar in United States markets under existing law.—Under the Jones-Costigan Act of May 9, 1934, quota limitations were placed on imports into and on the marketing of domestic sugar in continental United States. The quota system has been continued since that time. The Sugar Act of 1937, which superseded the Jones-Costigan Act, provides for a percentage distribution of United States consumption requirements among domestic and foreign producing areas. Domestic sugar-producing areas (including Hawaii and Puerto Rico) are allotted 55.59 percent of estimated consumption and the Philippines and foreign countries are allotted 44.41 percent. The Philippine quota is fixed at 34.70 percent of the share reserved for other than domestic areas, or 15.41 percent of the total quota, but may not be less than the duty-free quota established by the Independence Act.

The quota allocation to continental United States producing areas furnishes about 30 percent of the consumption requirements and they did not exceed this contribution before quotas became effective. Consequently, shipments from other sources have been an important factor

supplying United States demand. During the past two decades, offshore supplies have come almost entirely from the insular Territories and possessions of the United States and from Cuba. Prior to the war, production in continental United States and in the insular areas under the quota system, continued at approximately the level attained in 1933, at or near their high points of production, while the proportion permitted from Cuba was higher than the actual shipments during the depression years but appreciably lower than during the years 1927–30. The Philippine quota was lower than its high level of shipments in 1933 but more than 40 percent higher than its actual shipments during the years 1927–30.

The Tariff Act of 1922 fixed the general rate of duty on 96° sugar entering the United States at 2.206 cents per pound. This rate was increased by the Tariff Act of 1930 to 2.5 cents per pound. On May 9, 1934, the President issued a proclamation lowering the duty on sugar to 1.875 cents per pound, effective June 8, 1934. In each of the above instances the rate on Cuban sugar was 20 percent lower than the full duty because of provisions of the commercial treaty signed by Cuba and the United States in 1902; the rate on Cuban sugar thus became 1.5 cents per pound by Presidential proclamation.

By the terms of the trade agreement between the United States and Cuba, in 1934, following the enactment of quota legislation, the United States granted a reduction in the rate of duty on Cuban sugar from 1.5 cents to 0.9 cent per pound, effective September 3, 1934, and in a subsequent agreement to 0.75 cent per pound, effective January 1942. These agreements with Cuba did not affect the rate of duty on imports from other countries which remained at 1.875 cents per pound. If the imports of sugar from the Philippines had been dutiable, they would have been subject to this general rate. The Sugar Act of 1937 accorded a quota for Philippine sugar usually somewhat higher than the Independence Act quota, but this excess was never entered as it would have been subject to the general rate of duty. In the trade agreement with Peru, the general rate was reduced from 1.875 to 0.9375 cent per pound (96°), effective July 29, 1942.

For over 30 years prior to the inauguration of the quota system in 1934, sugar prices in the United States were about the same as world prices plus the United States duty on Cuban sugar. Since the establishment of the quota system, the price of sugar in the United States has ceased to be linked directly to the world price and the duty; it has been the resultant of current domestic demand and the volume of sales fixed in accordance with the provisions of the Sugar Act. Until the declaration of war this price generally exceeded the world price by considerably more than the duty on Cuban sugar but only occasionally more than the amount of the full duty.

COCONUT OIL AND COPRA

Importance of the coconut industry in the Philippine economy.—The coconut industry is one of the oldest and most important in the Philippine Islands. At the outbreak of World War I the Philippines were supplying approximately one-fourth of all the copra entering world trade. The copra-crushing industry had not as yet developed in the Islands, however, so that export of coconut products was almost entirely in the form of copra.

The demand for copra and coconut oil was greatly stimulated during World War I period. Prices of all fats and oils arose to extremely high levels, but the price of coconut oil exceeded that of most of the other fats and oils. During this period the acreage devoted to the coconut palm was greatly expanded and a coconut oil export industry was started. Because of the scarcity of shipping it was more economical to export the oil than the more bulky copra. Beginning with a small number of mills, the number increased until at the end of the war there were over 40 sizable establishments in operation.

The cessation of hostilities was followed shortly by a world-wide depression, in consequence of which the demand for coconut oil declined sharply, and nearly all the mills in the Philippines were forced to liquidate. Most of the mills closed down but a few modernized their equipment and began operations again on a commercial scale. The survival of the copra-crushing industry in the islands was made possible largely because of the protection afforded by the United States Tariff Act of 1922 which imposed a duty of 2 cents per pound on coconut oil from foreign countries. This duty has served practically to exclude imports of coconut oil from all sources other than from the Philippines.

To illustrate the growth of the Philippine coconut industry the combined tonnage of the major coconut products exported increased over fortyfold from 1899 to a period shortly before World War II. The acreage devoted to coconut production advanced from less than one-half million acres before 1910 to a million and a half or more after 1934. Exports of coconut oil and copra in terms of oil increased from 193,000 metric tons in 1925 to 363,000 metric tons in 1934 and in the latter year they supplied 34 percent of the world trade in copra and coconut oil combined. From 1925 to 1934, 54 percent of the exports of coconut products was shipped in the form of oil.

The coconut-growing industry in the Philippines consists, for the most part, of small enterprises. The groves on which most of the coconuts are grown consist of plots of less than 10 acres. In point of area under cultivation, coconut production ranks second in importance, being exceeded only by rice; it generally ranks third in value, being exceeded only by sugar and rice.

It is believed that over 30 percent of the total population of the Philippines is directly dependent on the coconut industry for their livelihood. Moreover, the insular government derives a considerable portion of its total revenues from this industry.

An unofficial Philippine estimate indicates that the coconut industry including all of its branches, represented an investment of more than $220,000,000 in 1935. Of this investment, Filipinos were reported to own or control about 90 percent and Americans, Spaniards, British, and others the remainder.

Coconut oil is produced in the Philippines primarily for export and nearly all of the coconut oil exported is shipped to the United States markets. The remainder is consumed in the Philippines, chiefly in the production of margarine, cooking fats, soap, and other manufactured products.

The quantity and value of coconut oil exported from the Philippines to all countries and to the United States in recent years are shown in the following table. Because of its importance to the Philippines

and to the United States oil-crushing industry, a table is also given showing exports of copra to the United States and to all countries.

Coconut oil: Quantities and values exported from Philippines to all countries and to the United States, 1928–40

Year	Exports of coconut oil to all countries			Ratio of value of exports of coconut oil to total value of all Philippine exports	Exports of coconut oil to the United States		Ratio of quantity of coconut oil exported to the United States to total quantity of coconut oil exported to all countries
	Quantity	Value	Value per ton		Quantity	Value	
	Short tons			*Percent*	*Short tons*		*Percent*
1928	156, 796	$23, 489, 172	$149. 81	15. 1	155, 241	$23, 239, 520	99. 0
1929	210, 011	29, 184, 942	138. 97	17. 7	207, 990	28, 900, 587	99. 0
1930	162, 442	19, 155, 382	117. 92	4. 4	161, 051	18, 961, 826	99. 1
1931	181, 848	15, 035, 322	82. 68	14. 5	163, 948	13, 585, 684	90. 2
1932	126, 405	7, 651, 144	60. 53	8. 0	121, 539	7, 335, 830	96. 2
1933	175, 951	9, 169, 823	52. 12	8. 7	173, 622	9, 025, 075	98. 7
1934	159, 654	6, 794, 871	42. 56	6. 2	149, 843	6, 396, 557	93. 9
1935	182, 095	12, 254, 581	67. 30	13. 0	178, 781	12, 005, 098	98. 2
1936	175, 951	13, 871, 759	78. 84	9. 4	166, 365	13, 137, 171	94. 6
1937	180, 002	20, 525, 537	114. 03	13. 6	176, 706	20, 173, 703	98. 2
1938	182, 567	10, 766, 455	58. 97	9. 3	175, 887	10, 353, 341	96. 3
1939 [1]	100, 200	4, 841, 844	48. 32	7. 1	95, 208	4, 551, 264	95. 0
1940 [2]	192, 956	10, 342, 026	53. 60	9. 1	165, 706	8, 621, 556	85. 9

[1] January to June 1939 only.
[2] Fiscal year, from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Copra: Quantities and values exported from Philippines to all countries and to the United States, 1928–40

Year	Exports of copra to all countries			Ratio of value of exports of copra to total value of all Philippine exports	Exports of copra to the United States		Ratio of quantity of copra exported to the United States to total quantity of copra exported to all countries
	Quantity	Value	Value per ton		Quantity	Value	
	Short tons			*Percent*	*Short tons*		*Percent*
1928	258, 400	$22, 542, 341	$87. 24	14. 5	201, 265	$17, 603, 832	77. 9
1929	191, 331	15, 565, 820	81. 36	9. 5	142, 878	11, 440, 898	74. 7
1930	192, 133	13, 433, 438	69. 92	10. 1	155, 603	10, 651, 348	81. 0
1931	192, 066	9, 150, 404	47. 64	8. 8	133, 251	6, 052, 328	69. 4
1932	151, 282	5, 133, 227	33. 93	5. 4	91, 522	3, 056, 066	60. 5
1933	340, 342	8, 956, 028	26. 31	8. 5	229, 279	5, 951, 226	67. 4
1934	377, 768	8, 605, 124	22. 78	7. 8	169, 186	3, 900, 060	44. 8
1935	278, 774	10, 987, 330	39. 41	11. 7	229, 382	9, 106, 010	82. 3
1936	320, 864	14, 999, 781	46, 75	10. 2	201, 193	9, 772, 482	62. 7
1937	260, 742	15, 984, 700	61. 30	10. 6	228, 695	14, 424, 980	87. 7
1938	377, 060	12, 256, 014	32. 50	10. 6	250, 709	8, 104, 586	66. 5
1939 [1]	209, 731	6, 214, 026	29. 63	9. 1	106, 056	3, 080, 348	50. 6
1940 [2]	443, 430	13, 471, 796	30. 38	11. 9	269, 100	7, 997, 546	60. 7

[1] January to June 1939 only.
[2] Fiscal year, from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Position of Philippine coconut oil in the United States market.—The imposition of the 2 cents per pound duty on coconut oil in the Tariff Act of 1922 resulted in practically the entire quantity of coconut oil imported into the United States being of Philippine origin. After the imposition in 1934 of the 5 cents per pound processing tax on coconut oil produced from foreign copra, as compared with 3 cents per pound on oil produced from copra of the United States possessions, imports of copra were also mainly of Philippine origin. Consequently, the bulk of the supply of coconut oil consumed in the United States, and especially after 1934, was mainly of Philippine origin.

Competitive situation.—Fats and oils of animal and vegetable origin are used in the preparation of (1) food products; (2) soap; (3) paints, varnish, linoleum, and printing inks; and (4) many miscellaneous manufactures. Many fats and oils can be substituted for one another either wholly or in substantial degree. Notwithstanding the wide technical interchangeability, however, there are no satisfactory substitutes for some oils and fats in certain uses. For some uses substitution may occur, but certain fats are preferred because they produce a better product, or for other reasons.

In 1940, a year fairly typical of the prewar period, there was consumed in the United States 9.3 billion pounds of fats and oils (including butter on a butterfat basis) for all purposes; 67 percent was consumed in food, 20 percent in soap, 8 percent in paint and related products, and 5 percent in miscellaneous manufactures. Of the total, 590 million pounds, or 6 percent, consisted of coconut oil.

Coconut oil is consumed chiefly in the manufacture of soap in the United States and, to a lesser extent, in food products—margarine, shortening, biscuit, and confectionery—and in miscellaneous products. In 1940 more than 70 percent was consumed in soap and most of the remainder in food. During the war coconut oil was practically confined to soap manufacture, largely on account of the relatively high yield of glycerin, a critical war material.

Coconut oil is one of the so-called lauric acid oils, that is, it contains a large percentage of a lauric-acid derivative. The two other principal oils in this category are palm kernel and babassu. For all important uses these oils are practically interchangeable. Palm-kernel oil comes principally from countries in central west Africa and from the Netherlands Indies and British Malaya (or from kernels originating in those countries) and babassu oil from Brazil. Palm-kernel oil, like Philippine coconut oil, is subject to a processing tax of 3 cents per pound; in addition, the imported edible palm-kernel oil is dutiable at one-half cent per pound. Babassu oil is free of duty and excise tax. Coconut oil is by far the most important of this group of oils consumed in the United States.

The lauric-acid oils are preferred for use in the soap industry primarily because they produce soaps of easy solubility and high-lathering properties. On the average the lauric-acid oils are blended with other fats and oils so as to constitute about 25 percent of the fat charge to produce the best products, although this percentage may be varied within limits, depending upon the type of soap being made and upon other factors. In percentages beyond the minimum requirements, the lauric-acid oils compete with tallows and greases, and other fats in the manufacture of soap.

Coconut oil was used to a considerable extent in margarine before the war. In 1929, there were 186,000,000 pounds consumed in this use and 174,000,000 pounds in 1935. Consumption thereafter declined largely because of laws discriminating against use of foreign oils in margarine and because technological improvements were made in processing cottonseed and soybean oils to make them suitable for use in margarine. Coconut oil disappeared from margarine during the war.

Coconut oil is not important for use in shortening but at times substantial quantities have been so used. For instance, in 1935, consumption of coconut oil in shortening amounted to 44,000,000 pounds, although it was considerably less in most other years.

Coconut oil has properties which make it especially desirable for use in certain biscuits, crackers, and confectionery. For some of these uses oils such as cottonseed and peanut have been developed which are satisfactory substitutes. For other purposes in these industries no satisfactory substitute (aside from other lauric-acid oils) has been found. From 50 to 90 million pounds annually have been used for such uses in the aggregate in the past. In the postwar period coconut oil will likely continue to be preferred for these purposes.

Generally speaking, it may be stated that the soap industry and, to a lesser degree, the biscuit and confectionery industries, will continue as the principal outlets for coconut oil. In these uses the minimum requirements for this oil, together with smaller quantities of other lauric-acid oils, may aggregate 500 to 600 million pounds or more annually. The quantities which may be consumed in excess of these requirements and in other uses will have to compete directly with tallows, greases, palm oil, marine-animal oils, and others.

ABACA FIBER AND CORDAGE

Significance of the cordage industry to the economy of the Philippine Islands.—In the decade 1931–40 cordage accounted for about 1 percent of the total value of all exports from the Philippine Islands and abaca (manila) fiber accounted for about 9 percent.

Total production of cordage in the 5 years 1934–38 averaged 23,000,000 pounds per year, but data as to the value of that production are not available. In this 5-year period total exports of cordage averaged 17,000,000 pounds per year, valued at 1.1 million dollars.

In the 5 years 1936–40 production of abaca fiber in the Philippine Islands averaged about 400,000,000 pounds per year, but the value of this production is not reported. Abaca fiber exports in this period averaged about 365,000,000 pounds per year, valued at $15,000,000. Thus, the value of abaca fiber exports in the 5 years 1936–40 [2] was almost $14,000,000 per year greater than the annual average value of cordage exports in the 5 years 1934–38.[2]

The cordage mills employed about 1,000 persons, and between 2 and 2½ million people were dependent directly or indirectly on abaca production for all or part of their livelihood.

Before the war there were five cordage factories in the Philippine Islands. On the basis of spindle capacity in 1935 American capital controlled about 53 percent of the industry, Filipino capital 41 percent, and Chinese capital about 6 percent.

[2] Different periods compared for the reason that data as to cordage are not available beyond 1938.

The quantity and value of abaca and cordage exported from the Philippines to all countries and to the United States in recent years are shown in the following tables:

Abaca: Quantities and values exported from the Philippines to all countries and to the United States, 1928–40

Year	Total exports		Ratio of total value of exports of abaca to total value of all Philippine exports	Exports to the United States		Ratio of exports of abaca to the United States to total exports of abaca to all countries	
	Quantity	Value		Quantity	Value	Quantity	Value
	Short tons		*Percent*	*Short tons*		*Percent*	*Percent*
1928	192,677	$26,593,606	17.2	56,340	$9,527,045	29.2	35.8
1929	208,802	28,240,550	17.2	74,850	12,276,363	35.8	43.5
1930	186,610	18,426,676	13.8	64,715	7,638,029	34.7	41.5
1931	145,629	8,942,906	8.6	30,756	2,511,733	21.1	28.1
1932	116,607	5,015,602	5.3	27,709	1,481,576	23.8	29.5
1933	167,622	6,873,859	6.5	39,891	2,012,934	23.8	29.3
1934	192,352	8,661,568	7.8	46,386	2,695,895	24.1	31.1
1935	207,453	11,473,966	12.2	49,024	3,811,009	23.6	33.2
1936	184,221	17,088,598	11.6	41,713	5,336,710	22.6	31.2
1937	182,254	21,639,687	14.3	44,836	6,851,043	24.6	31.7
1938	155,771	10,159,174	8.8	30,607	2,431,614	19.6	23.9
1939 [1]	94,053	5,251,669	7.7	23,179	1,597,956	24.6	30.4
1940 [2]	193,830	12,528,378	11.0	62,603	5,033,563	32.3	40.2

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Cordage: Quantities and values exported from the Philippines to all countries and to the United States, 1928–40

Year	Total exports		Ratio of total value of exports of cordage to total value of all Philippine exports	Exports to the United States		Ratio of quantity of exports of cordage to the United States to total quantity of such exports to all countries
	Quantity	Value		Quantity	Value	
	Pounds		*Percent*	*Pounds*		*Percent*
1928	14,494,705	$1,775,436	1.1	5,393,029	$721,121	37.2
1929	15,667,016	1,904,272	1.2	6,850,770	932,731	43.7
1930	13,858,457	1,553,227	1.2	6,769,412	841,565	48.8
1931	10,224,805	887,408	.9	4,599,113	460,001	45.0
1932	8,451,224	859,047	.7	4,447,882	411.207	52.6
1933	12,907,781	906,768	.9	6,876,227	567,340	53.3
1934	18,339,701	1,334,110	1.2	8,943,167	785,053	48.8
1935	17,651,445	1,161,815	1.2	8,053,278	628,959	45.6
1936	14,561,103	1,198,870	.8	3,918,022	449,692	26.9
1937	16,449,336	1,436,461	.9	4,660,333	495,967	28.3
1938	15,315,656	1,199,031	1.0	3,236,697	333,468	21.1
1939 [1]	10,767,751	764,060	1.1	3,903,449	326,958	36.3
1940 [2]	21,672,210	1,725,977	1.5	5,348,664	568,381	24.7

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Position of Philippine cordage in the United States market.—In the 5 years 1936–40, about 32 percent of the quantity and 39 percent of the value of cordage exported from the Philippine Islands was sent to the United States. In that same period 26 percent of the quantity and 33 percent of the value of abaca fiber exported from the Philippines was sent to the United States. The annual average value of the fiber shipments to the United States was $4,834,000 and of cordage shipments $549,000.

All but a small part of the United States imports of cordage products from the Philippine Islands has consisted of rope and all but a small part of the rope has been made of abaca (manila) fiber. United States imports of all kinds of hard-fiber rope averaged about 6,500,000 pounds per year in the 5 years 1936–40, and all but about 1,000,000 pounds per year of these imports originated in the Philippine Islands. Total imports of all hard-fiber rope in these 5 years probably supplied something less than 10 percent of United States consumption.

Beginning May 1, 1935, hard-fiber cordage products coming into the United States from the Philippine Islands have been subject to an absolute quota limitation of 6,000,000 pounds per year.

Competitive aspects.—Production of hard-fiber rope in the United States fluctuated rather widely in the period of 10 or 15 years before the war, but these fluctuations were due more to changes in general economic conditions than to increases or decreases in the quantity of imports.

Although United States imports of hard-fiber cordage products from the Philippine Islands before the war consisted almost entirely of rope, the Philippines is a potential source of other products, such as binding twine, wrapping twine, etc. This is evident from the fact that a large part of the United States production of binding twine and almost all of the wrapping twine and other hard-fiber cordage products is made in the same mills which produce rope. Equipment used in spinning hard-fiber rope yarns is also suitable for use in spinning hard-fiber yarns for other uses or purposes.

Before the 6,000,000-pound quota limitation United States imports of hard-fiber cordage products from the Philippines had been increasing. They averaged 3,000,000 pounds per year in the 5 years ended with 1924, 6,000,000 pounds per year in the 5 years ended with 1929, and 7,000,000 pounds per year in the 5 years ended with 1934. In 1935 they were 11,000,000 pounds, but the impending quota limitation probably accounts, in part at least, for the large 1935 imports.

CIGARS AND TOBACCO

Importance of tobacco in the Philippine economy.—Tobacco has been an important crop in the Philippine Islands since the introduction of its culture by the Spanish in the latter part of the sixteenth century. In recent years the country has been among the 10 ranking producing countries of the world. Tobacco is grown throughout the islands, but that produced in certain areas of Luzon, especially in the Cagayan Valley, is the most important and has the highest quality.

About 90 percent of the tobacco grown is cigar-filler type. It is produced on about 75,000 small farms and 15 large plantations. In prewar years it represented a total investment of about $21,000,000, of which Filipinos owned about 97 percent. Tobacco growing ac-

counted for about 1.5 percent of the cultivated land in the islands and approximately 500,000 people were dependent on its production for their livelihood.

The manufacturing of tobacco products in the Philippine Islands represented an investment of a little over $9,000,000 during the prewar period. In 1936 Spanish interests controlled 65 percent of the capital invested, with Swiss, Americans, and Chinese controlling most of the remainder. The most important product is cigars, although other products, principally cigarettes, are produced for domestic consumption. It is estimated that the manufacturing industry employed about 20,000 factory workers. Except in the production of cigarettes, there is little mechanization in the industry.

The annual exports of tobacco and tobacco products in the period 1936–40 averaged 5.5 million dollars and represented about 4 percent of the value of all Philippine exports. This compares to an average of 7.3 million dollars, or 6 percent of the value of the total exports, for the 10-year period 1926–35. Cigars have comprised the bulk of the value of the tobacco exports. About 65 percent of the total number of cigars produced on the island were exported.

The general character of the Philippine export trade in tobacco and tobacco products is shown in the following table:

Tobacco and tobacco products: Exports from the Philippines to all countries 1926–40

Year	Leaf tobacco		Cigars		Value of all other tobacco products (in thousands) [1]	Total value (in thousands)	Ratio of tobacco exports to total Philippine exports (percent)
	Quantity (in thousands of pounds)	Value (in thousands)	Quantity (in thousands)	Value (in thousands)			
1926	31,602	$2,618	247,711	$5,622	$289	$8,632	6.3
1927	51,990	3,919	207,579	4,652	338	8,909	5.7
1928	44,571	3,029	220,884	4,765	777	8,571	5.7
1929	60,801	4,392	188,333	3,825	573	8,790	5.3
1930	45,791	3,726	178,561	3,545	565	7,836	5.9
1931	49,941	3,502	183,874	3,395	524	7,421	7.1
1932	47,664	2,822	182,575	3,231	347	6,400	6.7
1933	37,250	1,843	196,141	3,158	177	5,178	4.9
1934	28,943	1,391	222,820	3,606	197	5,194	4.7
1935	49,398	2,308	223,117	3,399	295	6,002	6.4
1936	31,840	2,267	178,334	2,746	232	5,245	3.8
1937	17,804	1,243	204,620	3,072	668	4,983	3.3
1938	21,689	1,423	196,694	3,025	517	4,965	4.3
1939 [2]	23,598	1,841	91,452	1,389	404	3,634	5.3
1940 [3]	18,969	1,387	217,515	3,433	1,178	5,998	5.3

[1] "All other tobacco" consists largely of stripped filler and scrap.
[2] January to June 1939 only.
[3] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

The United States and Spain have been the leading export markets for Philippine tobacco and tobacco products. Spain has been the most important buyer of leaf tobacco and the United States has absorbed the bulk of the cigars exported. Of the total exports, those to the United States accounted for about 50 percent of the value for 1926–35 and Spain for 26 percent. During the 5-year period 1936–40, the United States became relatively more important, accounting for 61 percent of the total value of exports; Spain accounted for a smaller proportion than formerly—15 percent. Other foreign markets included Belgium, China, France, Japan, and the Netherlands.

Position of Philippine tobacco and tobacco products in the United States.—Under the Tariff Act of 1930, as in previous acts, unmanufactured tobacco and tobacco products of the Philippine Islands were admitted into the United States free of duty. By the terms of the Philippine Independence Act, as amended, duty-free quotas beginning in 1940 were established for both cigars and cigar filler and scrap tobacco. The quota was 200,000,000 cigars in 1940 with provision for successive reduction by 5 percent for each following year until 1946. Similar provision was made for cigar filler and scrap tobacco with a duty-free quota of 4.5 million pounds in 1940. By amendatory legislation, the quotas for 1940 remained applicable for 1941 and 1942. The quotas have never been filled, and imports practically ceased at the time of the Japanese invasion.

The tobacco and tobacco products exported to the United States have consisted almost entirely of cigars and scrap tobacco. Cigars during the prewar years accounted for nearly 85 percent of the total value of such products. Most of them were low in unit value and were sold in the United States in the lowest-price brackets retailing for 2 for 5 cents. They usually accounted for between 3 and 4 percent of the total cigars consumed in the United States. The scrap tobacco, also relatively low in price, was imported into the United States for use in the domestic manufacture of short-filler cigars.

The quantities and values of the cigars and scrap tobacco (including stripped filler and cigar ends) exported from the Philippine Islands to the United States are shown in the following tables:

Cigars: Quantities and values exported from the Philippines to all countries and to the United States, calendar years 1928–40

Year	Total exports		Ratio of total value of exports of cigars to total value of all Philippine exports	Exports to the United States		Ratio of quantity of exports of cigars to the United States to total quantity of such exports to all countries
	Quantity	Value		Quantity	Value	
	Number		*Percent*	*Number*		*Percent*
1928	220, 884, 441	$4, 765, 140	3. 1	179, 569, 767	$3, 885, 672	81. 3
1929	188, 333, 006	3, 824, 649	2. 3	150, 945, 425	3, 013, 355	80. 1
1930	178, 560, 744	3, 545, 223	2. 7	144, 767, 520	2, 810, 279	81. 1
1931	183, 873, 661	3, 395, 337	3. 3	158, 520, 284	2, 885, 366	86. 2
1932	182, 574, 853	3, 231, 218	3. 4	164, 615, 726	2, 885, 524	90. 2
1933	196, 141, 404	3, 157, 933	3. 0	180, 714, 153	2, 823, 117	92. 1
1934	222, 820, 144	3, 605, 510	3. 3	203, 895, 812	3, 231, 772	91. 5
1935	223, 117, 286	3, 399, 380	3. 6	204, 013, 225	3, 030, 218	91. 4
1936	178, 334, 078	2, 746, 327	1. 9	158, 977, 240	2, 372, 181	89. 1
1937	204, 619, 993	3, 072, 360	2. 0	181, 378, 340	2, 667, 606	88. 6
1938	196, 694, 466	3, 024, 614	2. 6	180, 237, 307	2, 695, 306	91. 6
1939 [1]	91, 451, 973	1, 389, 112	2. 0	81, 985, 936	1, 222, 318	89. 6
1940 [2]	217, 514, 788	3, 433, 153	3. 0	199, 189, 148	3, 105, 217	91. 6

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Scrap tobacco, stripped filler, and cigar ends: Quantities and values exported from the Philippines to all countries and to the United States, calendar years 1928–40

Year	Total exports		Ratio of total value of exports of scrap tobacco, etc., to total value of all Philippine exports	Exports to the United States		Ratio of quantity of exports of scrap tobacco, etc., to the United States to total quantity of such exports, to all countries
	Quantity	Value		Quantity	Value	
	Pounds		*Percent*	*Pounds*		*Percent*
1928	4, 799, 322	$538, 922	0. 3	4, 377, 092	$504, 143	91. 2
1929	4, 032, 524	412, 066	. 3	3, 679, 592	382, 648	91. 2
1930	4, 487, 939	491, 674	. 4	4, 368, 530	482, 982	97. 3
1931	3, 750, 097	474, 648	. 5	3, 728, 223	472, 721	99. 4
1932	2, 856, 227	309, 890	. 3	2, 848, 753	309, 310	99. 7
1933	1, 796, 899	143, 462	. 1	1, 750, 362	139, 966	97. 4
1934	2, 105, 201	157, 311	. 1	1, 616, 089	122, 324	76. 8
1935	3, 267, 599	270, 124	. 3	3, 022, 165	252, 003	92. 5
1936	2, 355, 161	202, 403	. 1	2, 159, 593	186, 644	91. 7
1937	7, 224, 794	637, 243	. 4	7, 011, 790	618, 382	97. 0
1938	4, 268, 818	431, 434	. 4	4, 099, 994	416, 220	96. 0
1939 [1]	3, 874, 457	382, 992	. 6	3, 835, 687	380, 104	99. 0
1940 [2]	12, 449, 325	1, 110, 507	1. 0	12, 362, 228	1, 100, 868	99. 3

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Competitive situation.—The cigars and scrap tobacco imported into the United States in the past have largely been brought in because of their relatively low prices. Although Philippine cigars have characteristics that are highly esteemed by some smokers, in general the demand for them is dependent on their relatively low price. They complete with the domestic machine-made product and have been among the cheapest cigars obtainable in the United States. Philippine scrap tobacco, a byproduct of the cigar industry, is used for blending and competes chiefly with the lower grades of domestic filler tobacco.

PEARL BUTTONS

Buttons of pearl or shell are a minor export of the Philippines, accounting in prewar years usually for less than one-half of 1 percent of total Philippine exports. Inasmuch as they are directly competitive with comparable buttons produced in the United States, a quota is provided in the bill limiting the amount that can be imported. In the prewar period, United States imports of pearl buttons from all sources amounted to about 5 percent of domestic production. The following table shows the quantity and value of pearl buttons exported from the Philippines in recent years.

Pearl buttons: Exports from the Philippines, 1928–40

Year	Quantity	Value	Value per gross	Year	Quantity	Value	Value per gross
	Gross		*Cents*		*Gross*		*Cents*
1928	843, 231	$385, 857	45. 8	1935	694, 161	$237, 397	34. 2
1929	750, 098	382, 898	51. 0	1936	680, 829	218, 516	32. 1
1930	850, 074	380, 140	44. 7	1937	776, 024	274, 510	35. 4
1931	841, 982	366, 783	43. 6	1938	578, 254	212, 916	36. 8
1932	739, 821	243, 667	32. 9	1939 [1]	338. 916	118, 565	35. 0
1933	836, 237	270, 753	32. 4	1940 [2]	816, 568	265, 001	32. 5
1934	713, 886	242, 838	34. 0				

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

United States-Philippine Trade

General character of trade.—Although the trade of the Philippines prior to 1898 was retarded as a result of Spanish restrictions, it developed rapidly after American occupation and particularly with the United States, as is shown in the following table. Of the total value of the combined import and export trade of the Philippines, the United States accounted for 11 percent in 1900, 41 percent in 1910, 65 percent in 1920, 72 percent in 1935, and 73 percent in 1939.[3]

Exports from the Philippines to the United States have advanced more rapidly than have imports from the United States into the islands. The Philippines purchased annually from the United States on the average 9 percent of their total imports in the period 1899–1901, 42 percent in 1909–14, and 64 percent in 1930–33. Since 1927 they have never purchased from the United States less than 58 percent of their total annual imports, ranging in most years from 62 to 68 percent. They sold to the United States on an average 18 percent of their total annual exports in the years 1899–1901, 35 percent in 1905–9, 73 percent in 1923–28, 82 percent in 1930–32, 83 percent during 1933–35, and 78 percent in 1939.

Sales by the Philippines to the United States have generally been greater in value than their purchases from the United States. This condition was reversed for only a few years following the establishment of United States-Philippine free trade in 1909, for 2 years during World War I, and in 1938 and 1940. Even prior to American occupation in 1898, the Philippines maintained a credit trade balance with the United States.

[3] The relative participation of the United States in the import trade of the Philippines for the period prior to July 1, 1910, is not strictly comparable with that for the period following. Importations for the account of the U. S. Government services were first included in statistics of Philippine imports on that date.

Trade of the Philippine Islands with all countries and with continental United States, 1899–1940

[General exports and imports, excluding gold and silver ore, bullion, and coin]

[Values in thousands of dollars; i. e., 000 omitted]

Year or average	Philippine exports			Philippine imports		
	To all countries	To continental United States	Percent to United States	From all countries	From continental United States	Percent from United States
Average 1899–1901 (3 years)	20,780	3,814	18	24,740	2,347	9
Average 1902–June 30, 1909 (7½ years)	31,598	11,883	38	30,279	4,759	16
Average July 1909–14 (5½ years)[1]	46,653	20,030	43	49,892	20,834	42
Average 1915–18 (4 years)	88,637	52,921	60	64,801	36,422	56
Average 1919–22 (4 years)	111,985	69,084	62	116,028	72,412	62
1923	120,753	85,047	70	87,500	50,353	58
1924	135,345	97,314	72	108,011	60,399	56
1925	148,877	109,045	73	119,733	69,298	58
1926	136,884	100,003	73	119,299	71,576	60
1927	155,574	116,038	75	115,851	71,478	62
1928	155,055	115,586	75	134,657	83,858	62
1929	164,447	124,465	76	147,160	92,593	63
1930	133,167	105,342	79	123,093	78,183	64
1931	103,972	83,422	80	99,179	62,140	63
1932	95,338	82,648	87	79,395	51,298	65
1933	105,771	91,313	86	67,361	43,540	65
1934	110,404	91,844	83	83,607	54,376	65
1935	94,246	74,936	80	85,524	54,367	64
1936	136,445	107,525	79	101,126	61,497	61
1937	151,266	120,743	80	109,026	63,302	58
1938	115,795	89,445	77	132,608	90,357	68
1939 [2]	68,015	53,293	78	49,973	32,386	65
1940 [3]	113,412	84,825	75	144,586	107,501	74

[1] Beginning July 1, 1910, figures include importations into the Philippines for account of U. S. Government services.
[2] January to June 1939 only.
[3] Fiscal year, from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs. Peso values have been converted into dollar values at the ratio—1 peso = U. S. $0.50.

The United States as a market for Philippine products.—During 1935, Philippine exports to the United States were valued at $74,935,537. This constituted 80 percent of the value of their aggregate exports to all countries. In the preceding year their exports to the United States amounted to $91,843,594 or 83 percent of the total to all countries, and in the fiscal year ending June 30, 1940, their exports to the United States amounted to $84,825,000 or 75 percent of the total to all countries.

Sugar has been much the most important export in terms of value to the United States for a number of years. It accounted for almost $33,000,000 or 44 percent of the total exports from the islands to the United States in 1935. Because of shipments made in 1934 in excess of the quantities which could be entered under the quota, the sugar shipments from the Philippines to the United States were considerably smaller in 1935 than in the immediately preceding years. Shipments to the United States in 1934, for example, amounted to approximately $65,000,000 or over 71 percent of the total exports from the Philippines to the United States; in the fiscal year 1939–40 they amounted to $39,466,000, or about 47 percent of the total exports from the Philippines to the United States. Practically all of the Philippine exports of sugar products, with the exception of small quantities of molasses, sirup, and alcohol, are sold in the United States.

The United States provides both absolutely and relatively a smaller market for Philippine coconut products than for sugar products.

Nevertheless, practically all of the coconut oil and desiccated coconut and about two-thirds of the copra shipped from the islands are generally sold in the United States. And about 50 percent of the total copra cake and meal exported was sold in this market in 1939 and 1940.

The islands in recent years have exported a somewhat smaller share of their total exports of abaca (manila) and of cordage to the United States than was generally the case in the years prior to 1931. In 1935–39, they shipped to the United States about 30 percent of their total abaca fiber exports and 40 percent of their total cordage exports.

The annual values of Philippine exports of tobacco products to the United States fluctuated only within small limits between 1929 and 1935. These exports, however, constituted an increasing share of the total exports of tobacco products from the Philippines to all countries, inasmuch as these latter fell steadily during this period until 1935, when they rose again. In that year, 55 percent of the total exports of tobacco products from the islands went to the United States. Between 1935 and 1940 the share of the United States was, in most years, larger than in 1935.

Other important Philippine exports for which the United States provides a relatively large market are embroideries, timber and lumber, hats, cutch, pearl buttons, and canned pineapple. With the exceptions of hats, and timber and lumber, practically all of the exports of these commodities from the Philippines are regularly shipped to the United States. Generally 50 percent or more of the hats are shipped to the United States, and 10 to 20 percent or more of the timber and lumber.

The above-mentioned Philippine products in 1935 accounted for 98 percent of the total exports from the islands to the United States, and for 95 percent of their total exports to all countries. The remaining exports consisted of a wide variety of miscellaneous products.

United States imports from the Philippines amounted to $96,973,000 in 1935 and $90,000,000 in the fiscal year ending June 30, 1940; these purchases accounted for 4.8 and 3.5 percent, respectively, of the United States total imports.[4] The Philippines ranked seventh in importance in 1935 and ninth in 1940 among United States suppliers. Of the United States total imports in 1935 of the following specified commodities from all countries, the Philippines supplied approximately 95 percent of the coconut products, 85 percent of the tobacco manufactures, 39 percent of the sugar (Hawaiian and Puerto Rican production being included with that of continental United States), 75 percent of the sawed cabinet woods, 15 percent of the straw hats, and 77 percent of the cotton embroideries.

The following trends are discernible from an examination of Philippine export statistics:

(1) From the beginning of American occupation until 1929, the Philippines steadily increased the value of their exports to the United States. The exports then declined until 1932, rose for the next 2 years, and declined sharply again in 1935. Both the relative and absolute declines in exports to the United States for 1935 were due largely to the sharply curtailed sugar shipments for that year. In 1936–37 exports to the United States increased sharply, reaching the

[4] Foreign Commerce and Navigation of the United States. This figure does not correspond with that given elsewhere for Philippine exports to the United States, inasmuch as this latter was obtained from Philippine statistics.

1929–30 level. Thereafter they declined somewhat. In terms of their exports to all markets, the Philippines steadily increased the annual share sold to the United States from the beginning of American occupation until 1932, when 87 percent of their total exports went to the United States. In the period 1935–40 the share has ranged between 75 and 80 percent.

(2) Sugar has increased both absolutely and relatively among the Philippine exports to the United States. As late as 1928, it constituted only 40 percent of the total exports from the Philippines to the United States, whereas in 1934 it accounted for 71 percent of the total and in 1939–40 it amounted to 47 percent.

(3) Besides sugar, several other important Philippine exports which receive substantial protection in the United States markets have increased in relative importance among the shipments from the islands to the United States in recent years. Among these are desiccated coconut, coconut oil, and cordage.

The following table shows exports to the United States, by principal commodities, in 1934, 1935, and 1939–40.

Values of principal Philippine exports to the world and amounts thereof exported to the United States, 1934, 1935, and 1939–40 (fiscal year ending June 30, 1940)

Commodity	1934		1935		1939–40	
	Total	To the United States	Total	To the United States	Total	To the United States
Sugar	$65, 454, 580	$65, 444, 993	$32, 990, 680	$32, 949, 717	$39, 495, 000	$39, 466, 000
Coconut oil	6, 794, 871	6, 396, 557	12, 154, 003	12, 004, 053	10, 342, 000	8, 622, 000
Abaca	8, 661, 568	2, 695, 896	11, 473, 967	3, 811, 010	12, 528, 000	5, 034, 000
Copra	8, 605, 125	3, 900, 060	10, 987, 330	9, 106, 010	13, 472, 000	7, 998, 000
Tobacco and products	4, 996, 556	3, 363, 856	6, 001, 829	3, 288, 565	5, 998, 000	4, 426, 000
Embroideries	2, 666, 421	2, 659, 122	4, 996, 280	4, 989, 318	4, 695, 000	4, 691, 000
Desiccated coconut	2, 254, 540	2, 253, 236	3, 962, 315	3, 941, 938	4, 366, 000	4, 357, 000
Timber or lumber	2, 171, 400	774, 941	2, 511, 760	972, 487	3, 324, 000	946, 000
Copra cake and meal	1, 051, 120	447, 310	1, 639, 424	617, 680	2, 095, 000	1, 157, 000
Cordage	1, 335, 047	785, 328	1, 161, 815	628, 959	1, 726, 000	568, 000
Hats	1, 141, 872	697, 584	474, 821	240, 125	23, 000	16, 000
Buntal fiber	302, 334	490	278, 337	----------	160, 000	160, 000
Cutch	252, 841	252, 841	267, 375	267, 375	----------	----------
Pearl buttons	242, 838	242, 774	237, 397	237, 397	265, 000	265, 000
Canned pineapple	409, 244	409, 244	157, 398	157, 398	2, 363, 000	2, 363, 000
All other commodities	4, 063, 278	1, 519, 362	4, 950, 949	1, 724, 051	12, 560, 000	4, 756, 000
Total	110, 403, 635	91, 843, 594	94, 245, 680	74, 935, 537	113, 412, 000	84, 825, 000

Source: Annual reports, insular collector of customs.

The Philippines as a market for United States products.—Imports into the Philippines from the United States in 1935 amounted to $54,366,500. This constituted nearly 64 percent of the value of the total purchases by the islands from all countries. In the fiscal year 1939–40, the imports from the United States amounted to $107,501,000 or 74 percent of the total imports into the islands.

The chief import from the United States in 1935 consisted of iron and steel products. Their value amounted to $8,516,040 or about 16 percent of the total imports from the United States. These imports also represented about 77 percent of the aggregate imports of iron and steel products into the islands from all countries. The second most important import from the United States consisted of cotton goods. Their value totaled $6,767,471 during 1935, or 44 percent of the imports of such materials from all countries. Mineral oil (petroleum) ranked third in importance, and the United States sup-

plied 87 percent of the total imported from all countries; tobacco products ranked fourth, with the United States supplying almost 99 percent of the total. Automobiles and parts (exclusive of rubber tires) were next, the imports from the United States accounting for over 99 percent of the total from all countries. Electrical machinery and apparatus, chemicals and drugs, dairy products, rubber and manufactures thereof, and unprinted paper ranked next, the United States supplying 86, 67, 53, 88, and 66 percent, respectively, of the totals of these imports from all countries.

Other important Philippine imports of which the United States was a major supplier in 1935 were wheat flour, fertilizer, leather and its manufactures, fruits and nuts, silk manufactures, meat products, fish products, and vegetables. The United States supplied in each case 40 percent or more of the total imports of these goods from all countries.

The chief imports from the United States in 1939–40 consisted of about the same commodities in about the same order of importance as in 1935. For most of these products imports from the United States accounted for somewhat larger percentages of the total imports from all countries than in 1935. Cotton goods showed a much greater increase than other commodities, accounting for 73 percent of the total Philippine imports of cotton goods from all countries in 1939–40 compared with only 44 percent in 1935.

The above-mentioned articles, in 1935, accounted for 83 percent of the total imports into the Philippines from the United States and for 78 percent of their total imports from all countries. In 1939–40 they accounted for 85 percent of the total from the United States and 63 percent of total Philippine imports from all countries.

The following table shows imports into the Philippines from the United States by principal commodities in 1934, 1935, and 1939–40.

Values of principal Philippine imports to the world and amounts thereof imported from the United States, 1934, 1935, and 1939–40 (fiscal year ending June 30)

Commodity	1934		1935		1939-40	
	Total	From the United States	Total	From the United States	Total	From the United States
Cotton goods	$15, 621, 460	$7, 822, 554	$15, 299, 921	$6, 767, 471	$20, 562, 000	$14, 927, 000
Iron and steel and manufactures	11, 411, 504	8, 887, 434	11, 088, 419	8, 516, 040	23, 546, 000	20, 835, 000
Mineral oil	6, 223, 722	5, 500, 688	7, 442, 514	6, 486, 532	11, 548, 000	9, 314, 000
Tobacco products	2, 926, 901	2, 857, 329	3, 750, 280	3, 696, 087	9, 343, 000	9, 269, 000
Automobiles and parts	3, 977, 655	3, 880, 779	3, 600, 224	3, 581, 046	5, 677, 000	5, 575, 060
Dairy products	2, 911, 344	2, 083, 209	3, 076, 362	1, 625, 290	4, 522, 000	1, 322, 000
Wheat flour	2, 623, 604	1, 816, 910	2, 855, 627	1, 222, 345	4, 486, 000	2, 918, 000
Chemicals, drugs, dyes, and medicines	2, 417, 182	1, 695, 221	2, 577, 318	1, 724, 789	4, 671, 000	3, 408, 000
Silk, rayon, and manufactures	2, 301, 825	1, 176, 220	2, 425, 700	970, 566	5, 085, 000	4, 268, 000
Electrical machinery, apparatus, and appliances	2, 170, 099	1, 877, 939	2, 153, 668	1, 857, 808	4, 642, 000	4, 219, 000
Paper, unprinted	2, 192, 210	1, 543, 766	2, 122, 078	1, 395, 877	4, 812, 000	4, 088, 000
Fertilizers	2, 254, 491	746, 421	1, 810, 096	1, 146, 399	2, 366, 000	1, 262, 000
India rubber and manufactures	1, 720, 441	1, 601, 083	1, 664, 242	1, 464, 752	3, 242, 000	2, 868, 000
Vegetables	1, 405, 149	720, 873	1, 639, 239	767, 822	2, 181, 000	1, 309, 000
Meat products	1, 204, 357	686, 911	1, 576, 550	940, 432	1, 485, 000	736, 060
Fish and fish products	1, 351, 423	840, 609	1, 360, 835	704, 552	1, 998, 000	1, 458, 000
Fruits and nuts	1, 156, 978	888, 594	1, 322, 508	990, 956	1, 524, 000	1, 180, 000
Leather and manufactures	1, 209, 983	1, 133, 027	1, 063, 691	1, 011, 594	1, 544, 000	1, 464, 000
All other	18, 526, 692	8, 616, 111	18, 694, 578	9, 496, 142	31, 352, 000	17, 081, 000
Total	83, 607, 110	54, 375, 678	85, 523, 850	54, 366, 500	144, 586, 600	107, 501, 000

Source: Annual reports, insular collector of customs.

The Philippines ranked twelfth among the principal export markets for United States goods in 1935, exports to the islands in that year being valued at $52,560,041,[5] or 2.3 percent of the total exported to all countries. In 1940 the Philippines ranked ninth, United States exports to that market being valued at $93,176,443,[5] or 2.4 percent of the total exports to all markets.

In 1935, the Philippines ranked first among the export markets of the United States for galvanized iron and steel sheets, cigarettes, canned milk and cream, ready-mixed paints, and soap; and they ranked second for cotton cloth (colored, bleached, and unbleached), wheat flour, and canned fish.

The Philippines annually increased the value of their purchases from the United States from the beginning of American occupation until the end of 1929. Their purchases then declined until 1933, rose again in 1934, and receded slightly in 1935. Between 1935 and 1940 Philippine imports from this country increased substantially. In terms of their total purchases from all countries, the Philippines steadily increased the share obtained from the United States from the beginning of American occupation through 1934, the share declining slightly for 1935, then increasing in the latter part of the period 1935–40.

Japanese competition.—The increase in sales of Japanese goods in the Philippines, though substantial, has not been as large as is sometimes represented, nor has it been accompanied by a corresponding decline in the total sales of American goods. The general misconceptions concerning these matters have their bases largely in the use of Philippine statistics compiled in terms of "dutiable values," and in the making of misleading comparisons. For instance, imports from Japan in 1933, officially reported at the equivalent of $9,500,000, or 13 percent of total imports into the Philippines for the year, were found to have been only $5,682,000 when statistics were calculated on market values.

In most years from 1920 to 1935 the imports into the Philippines from Japan amounted to from 8 to 15 percent of the total imports. In 1928 the islands imported 9½ percent of the total from Japan, but in the following year only 8 percent. Japan did not share in the increase in the total import trade of the Philippines for 1929. In 1930, however, Japanese goods accounted for 10½ percent of the total imports into the Philippines and in 1931, for 11 percent of the total. In 1932, when the Chinese boycott of Japanese goods was at its height, Japan supplied slightly less than 8 percent of the imports into the islands.

In 1932 Japanese firms commenced to expand their retail outlets in the Philippines. This, in conjunction with the marked depreciation of the yen and waning of the boycott, greatly assisted in increasing Japanese sales in the islands. In 1933 Japanese goods accounted for 8½ percent of the total imports into the Philippines; in 1934 they accounted for 12½ percent; in 1935–37, for over 14 percent; in 1938, 10 percent; in 1939, 8 percent; and in 1940, 5 percent.

The increase in the value of the sales of Japanese goods in the Philippines during the period 1930–35 was accompanied by a decrease in the sales of a number of individual American products, but not by

[5] This figure is taken from United States statistics of exports to the Philippines and therefore does not correspond with the previously cited value of Philippine imports from the United States taken from Philippine statistics.

an appreciable decrease in the relative value of United States aggregate sales in the islands. Japan supplied a larger percentage of the total imports into the Philippines in 1935 than in any preceding year, but the United States also supplied a larger percentage in 1935 than it had on the average for the preceding decade (1925–34), when its relative participation in the Philippine import trade was higher than in any previous period. In terms of value, the rising importance of Japan as a supplier of Philippine imports prior to 1938 was accompanied by the declining importance of countries other than the United States.

Philippine balance of trade with United States and with world.—Both before and since the American occupation, the Philippines have almost invariably sold goods to the United States to a value in excess of their purchases from the United States. For only a few years following the inauguration of duty-free trade in 1909 and for a few scattered years during and after World War I and in 1938 and 1940 were Philippine imports from the United States in excess of Philippine exports to the United States. Accompanying the customary credit balance of trade with the United States, the Philippines have also had a credit balance of trade with the other countries of the world considered collectively.

The status of the balance of trade between the United States and the Philippines has frequently been regarded as an index of the profitableness of the trade to the one country or the other. The country having the credit balance has been considered the gainer, and the other country the loser. This inference, however, is not warranted. In the trade of the United States with the Philippines the customary excess of imports over exports has simply given rise to a triangular (or a polyangular) trade in which the United States has paid for this excess of imports largely by exporting goods to other countries in greater value than it has imported from them. These countries in turn, either directly or through still other countries, have exported greater values of goods to the Philippines than they have imported from them. The status of the merchandise balance of trade between the Philippines and the United States, therefore, is not of controlling significance in respect of the gains or losses, accruing to either country. Moreover, the trade balance of the Philippines with the United States not only affects and is affected by the trade balances with all other countries but it is influenced also by the extent to which gold shipments, service items, capital movements, and other factors enter into the trade of the islands with the United States and with all other countries. In consequence, the Philippine balance of merchandise trade with the United States must be considered not only in its relation to the balance of merchandise trade with the world as a whole but in its relation to the balance of payments with the United States and with the world as a whole.

The Philippines balance of merchandise trade from 1909 to 1940 is shown in the following table.

Balance of merchandise trade between the Philippines and all countries and between the Philippines and the United States, 1909–40

Year or average	Excess of exports (+), excess of imports (−)		Year or average	Excess of exports (+), excess of imports (−)	
	Trade with all countries	Trade with continental United States		Trade with all countries	Trade with continental United States
Average 1899–1901 (3 years)	−$3,960	+$1,467	1929	+$17,287	+$31,872
Average 1902–June 30, 1909 (7½ years)	+1,319	+7,124	1930	+10,074	+27,159
Average July 1909–14 (5½ years) [1]	−3,239	−804	1931	+4,793	+21,282
Average 1915–18 (4 years)	+23,836	+16,499	1932	+15,943	+31,350
Average 1919–22 (4 years)	−4,043	−3,328	1933	+31,090	+47,773
1923	+33,253	+4,694	1934	+26,797	+37,468
1924	+27,334	+6,915	1935	+8,722	+20,569
1925	+29,144	+39,747	1936	+35,319	+46,028
1926	+17,585	+28,427	1937	+42,240	+57,441
1927	+39,723	+44,560	1938	−16,813	−912
1928	+20,398	+31,728	1939	+18,042	+20,907
			1940	−31,174	−22,676

[1] Beginning July 1, 1910, figures include importations into the Philippines for account of U. S. Government services.

Source: Annual reports, insular collector of customs. Peso values have been converted into dollar values at the ratio, 1 peso equals U. S. $0.50.

History of Philippine-United States Tariff Relations

After the Philippine Islands came under the military control of the United States, the President, on July 12, 1898, issued an order providing for the enforcement by the military power of a system of tariff duties. The order did not go into effect until November 1898. The duties imposed by this tariff were levied on goods coming into the Philippine Islands, whether from the United States or other countries. This tariff was continued in force after the ratification of the peace treaty on April 11, 1899, but was held to be without effect by the Supreme Court of the United States so far as shipments from the United States were concerned, after the ratification of the treaty of peace. (Cf. *United States* v. *Heinszen* (1907) 206 U. S. 370.)[6] Conversely, post-treaty Philippine shipments to the United States were held to be duty free (ibid.). The tariff promulgated by the military government was adopted and continued by the Philippine commission appointed by the President, in an enactment dated September 17, 1901, and this enactment was adopted by the United States Congress in the act of March 8, 1902 (32 Stat. 54; ch. 140). The act of March 8, 1902, also imposed the United States tariff upon goods coming from the Philippines, except that Philippine products were granted a reduction of 25 percent from the rates specified in the United States tariff. Products of the United States entering the Philippines were not accorded any preferential tariff treatment at that time.

Reciprocal free trade, subject to certain restrictions, was first instituted between the United States and the Philippines by the provisions of the United States Tariff Act (36 Stat. 11; ch. 6) and the Philippine Tariff Act (36 Stat. 130; ch. 8), both dated August 5, 1909.

[6] Duty collections made prior to March 8, 1902, by the authorities of the military government in the Philippines were "legalized, ratified, and confirmed" by the appropriation act of June 30, 1906 (34 Stat. 636; ch. 3912).

The former imposed restrictions upon the annual quantities of Philippine sugar and tobacco products which might enter the United States duty-free; and it limited the maximum content of non-Philippine or non-American materials which might be embodied in Philippine manufactures if they were to be admissible duty-free into the United States to 20 percent of their total value, but no equivalent limitation was imposed on United States products shipped to the Philippines. Both the United States and Philippine Tariff Acts specifically exempted rice from duty-free treatment in either country; and they conditioned duty-free trade in other commodities to those receiving no draw-back of customs duty upon leaving the Philippines or the United States. The Philippine Tariff Act further provided that export duties would be abolished on shipments made to the United States.

The United States Tariff Act of October 3, 1913 (38 Stat. 114; ch. 16), strengthened the reciprocal free-trade relations between the islands and the United States. The quantity limitations upon duty-free sugar and tobacco products specified in the previous act were removed, inasmuch as they had never been even closely approximated. The provision that rice should not move duty-free between the islands and the United States was also eliminated; and all Philippine exports, irrespective of destination, were exempt from export duties. Congress did not pass a new Philippine tariff act at this time, but amended the Philippine Act of 1909 by provisions contained in the United States Tariff Act of 1913. The significant amendments were those mentioned above.

Until 1934, trade relations between the United States and the islands continued on substantially the same tariff basis as they were when the United States Tariff Act of 1913 first became effective. The United States Tariff Acts of September 21, 1922 (42 Stat. 858; ch. 356), and June 17, 1930 (46 Stat. 590; ch. 497), introduced no modifications of importance. The Philippine Tariff Act of 1909 has never been superseded, and it has been modified only slightly by subsequent United States legislation and by several acts of the Philippine Legislature. With few exceptions, present Philippine tariff schedules and rates are the same as those which were in force in 1909. Since many of the Philippine duties are specific, their ad valorem equivalents have changed considerably with the marked price shifts which have occurred since 1909.

The act of March 24, 1934 (48 Stat. 456; ch. 84), provided for a partial elimination by July 4, 1946, of the preference enjoyed by Philippine products in the United States (1) by limiting to fixed quotas the duty-free shipments of Philippine sugar, coconut oil, and cordage to the United States; and (2) by gradually eliminating during the period November 15, 1940, to July 4, 1946, 25 percent of the tariff preferences which Philippine products enjoy in the United States. This elimination was to be achieved by means of progressively increasing export taxes to be imposed on shipments to the United States of all Philippine products of the kinds on which duties are imposed by the United States, beginning with a rate equal to 5 percent of the United States import duty on November 15, 1940, and increasing by an additional 5 percent each year. Commencing July 4, 1946, all products from the Philippines entering the United States, in the absence of further legislation, were to be subject to the same

tariff treatment applying to similar goods originating in other foreign countries.

Before the Independence Act of March 24, 1934, became effective, the Jones-Costigan Act (48 Stat. 670; ch. 263), the Revenue Act of 1934 (48 Stat. 680; ch. 277), and the Cordage Act of 1935 (49 Stat. 340; ch. 240) were enacted. The Jones-Costigan Act, passed May 9, 1934, authorized the imposition of "absolute" quotas on Philippine sugar entering the United States. This act was superseded by the Sugar Act of 1937, which continued the provisions for the imposition of an absolute quota on Philippine sugar and is still in effect. The Revenue Act of 1934, effective May 10, 1934, provided for a processing tax of 3 cents per pound on coconut oil expressed from Philippine copra either in the islands or in the United States with provision for the remission of the taxes to the Philippine Treasury. (A tax of 5 cents per pound applied to the oil expressed from foreign copra, thus granting the Philippines a substantial and effective preferential rate.) This legislation is also still in effect. The Cordage Act of June 14, 1935, doubled the cordage quota provided for in the Independence Act, but changed it from a duty-free quota to an absolute quota. The Cordage Act remained in effect until May 1, 1941, after extension of its original term of 3 years by Presidential proclamation, as authorized in the act.

The Independence Act of 1934 was amended by the act of August 7, 1939 (53 Stat. 1226; ch. 502), and under the provisions of the amendatory act additional duty-free quotas were imposed on cigars, scrap and filler tobacco, and pearl or shell buttons. The duty-free quota on sugar was slightly modified with respect to the portion of the quota which may be shipped in the form of raw sugar, and provision was made for the continuation of the absolute quota on cordage after the expiration of the Cordage Act up to the date of independence. Sugar entered in excess of the duty-free quota as well as all other commodities of the kind subjected to duty-free quotas were exempted from the Philippine export taxes, and in lieu thereof the duty-free quotas (except the quota on sugar) were to be reduced by 5 percent beginning January 1, 1941, and by an additional 5 percent on each January 1 thereafter until 1946, so that by July 4, 1946, these quotas would have been reduced by 25 percent.

The act of December 22, 1941 (55 Stat. 852; ch. 617) suspended the export tax and the quota-reduction provisions of the Independence Act, as amended, during the period December 23, 1941, to December 31, 1942, and during the period of suspension the original quotas were restored. Export taxes and quota reductions resumed operation January 1, 1943, so that for the year 1945 Philippine products to which export taxes applied were subject to an export tax equal to 15 percent of the United States duties, and duty-free quotas (except sugar) were reduced by 15 percent. For the period January 1 to July 3, 1946, quotas were reduced to one-half the quotas for 1945.

DETAILED ANALYSIS OF BILL SECTION BY SECTION

Title I

SECTION 1. SHORT TITLE

This section provides that the act may be cited as the "Philippine Trade Act of 1946."

SECTION 2. DEFINITIONS

This section contains definitions which are to apply wherever the terms defined are used in the act. By virtue of section 406 these definitions and provisions in the nature of a definition (e. g., subsecs. (b), (c), and (d) of sec. 2) will apply to the provisions of titles II and III for the purpose of the agreement, which (under sec. 401) accepts all the provisions of these titles as the law of the United States and of the Philippines. Therefore, it will not be possible for the agreement to change the interpretation of these defined terms, which perform so important a function in the carrying out of the program of reciprocal trade relations between the two countries.

Person (*sec. 2* (*a*) (*1*)): The term "person" is defined to include partnerships, corporations, and associations, and, of course, includes individuals.

United States (*sec. 2* (*a*) (*2*)): The term "United States," when used in a geographical sense, is defined to mean the 48 States, the District of Columbia, the Territories of Alaska and Hawaii, and Puerto Rico. This definition is the same in legal effect as that used in the Tariff Act of 1930, as amended, in fixing the customs area of the United States.

Ordinary customs duty (*sec. 2* (*a*) (*3*)): The term "ordinary customs duty" is defined to mean a customs duty based on the article as such (whether or not the duty is also based on the use, value, or method of the production of the article, or on the amount of like articles imported, or on any other factor); but it is expressly provided that it does not include—

(1) A duty based on an act or omission of any person with respect to the importation, such as additional duties for undervaluation or for failure to mark to show the country of origin or a duty based on an act or omission of the country from which the article was exported, or from which it comes, such as a duty imposed because of discrimination; or

(2) A countervailing duty imposed to offset a subsidy, bounty, or grant; or

(3) An antidumping duty imposed to offset the selling of merchandise for exportation at a price less than the prevailing price in the country of export.

The term does not include any tax imposed on or in connection with importation unless the law of the United States or the Philippines,

as the case may be, designates it or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws; and taxes imposed on or in connection with importations which are not included as ordinary customs duties under this test are expressly (subsec. (a) (8) of this section) included as "internal taxes."

Two taxes on or in connection with importation which under this paragraph and such paragraph (8) would, unless specifically excepted, be "ordinary customs duties" and not "internal taxes," are expressly declared to be "internal taxes." These taxes are (1) section 3500 of the Internal Revenue Code relating to manufactured sugar and sugar products, and (2) so much of section 2491 (c) of the Internal Revenue Code as relates to products, 10 percent or more of which consists of or is derived from any of the oils (coconut, palm, and palm-kernel), fatty acids, or salts specified in section 2470 of the Internal Revenue Code.

These two taxes, although the law imposing them directs that they be treated as duties, are in fact compensatory for other internal taxes and are therefore not within the economic concept of "ordinary customs duties." The bill specifically excludes them from the scope of "ordinary customs duties" and such taxes will, therefore, apply in full to "Philippine articles" notwithstanding the provisions of sections 201 and 202. Philippine products will be protected against discrimination under such internal taxes to the extent provided by section 221, which is discussed later in this report.

Philippine article (sec. 2 (a) (4)): The term "Philippine article" is defined to mean a product of the Philippines; that is, an article which originated in the Philippines by growth or derivation from nature, as well as an article which has been fabricated or manufactured in the Philippines to such an extent that the finished product is identifiable as of Philippine origin even though some imported materials may have been used in the operation. This concept of "product" is similar to that which has been evolved over a long period of years under our draw-back laws (sec. 313 of the 1930 Tariff Act, as amended) under which refund of customs duties is made on the exportation of articles manufactured or produced in the United States with the use of imported duty paid materials.

Under the definition, an article produced with the use of materials imported into the Philippines from any foreign country other than the United States is nevertheless not a "Philippine article" if the aggregate value of such imported materials at the time of importation into the Philippines was more than 20 percent of the value of the article imported into the United States.

The imported materials used in the production of the article, whose value is to be included in determining whether or not their aggregate value was more than 20 percent of the value of the imported article, include materials used at any stage of the chain of production whereby raw materials are through successive stages of manufacture converted into an article imported into the United States.

The last sentence of the definition of "Philippine article" assures that raw materials which have been brought into the Philippines and processed through two or more stages of manufacture shall be considered as having been used in the production of the article ultimately produced. For example, if silk cocoons are imported into the Philip-

pines from Japan and are progressively processed in the Philippines into raw silk, into silk yarns, into silk cloth, which in turn is made in the Philippines into a dress, the dress is considered as having been made with the use of imported materials. If the value of the silk cocoons, plus any other imported constituents of the dress, such as buttons, was in the aggregate more than 20 percent of the value of the finished dress which is subsequently imported into the United States, such dress is not a "Philippine article." Under the illustration, the silk dress was a product of the Philippines, and was made from a product of the Philippines (silk cloth) which in turn was made from a product of the Philippines (silk yarn), but it is nevertheless not within the definition of "Philippine article."

This definition makes use of and is in effect a statutory endorsement of the concept of Philippine products which have heretofore been granted free entry into the United States under section 301 of the Tariff Act of 1930, as amended, and precedent statutes. The language used in the course of the definition "produced with the use of materials imported" is substantially the language used in section 313 of the Tariff Act of 1930, as amended, granting, on the exportation of articles manufactured or produced in the United States "with the use of imported merchandise" a draw-back of the duties paid on such imported merchandise. That section of the Tariff Act has been applied in a similar manner to that above described in the case of the silk dress and the Japanese cocoons.

United States article (*sec. 2* (*a*) (*5*)): The definition of "United States article" is identical with the definition of "Philippine article," except for the substitution of "United States" for "Philippines" and of "Philippines" for "United States."

United States duty (*sec. 2* (*a*) (*6*)): The term "United States duty" is defined to mean the rate of ordinary customs duty (as defined in par. (3) above) which would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate of ordinary customs duty. At the present time and until our tariff laws are changed that country is Cuba in the case of all dutiable articles. It will be noted that under subsection (c) (1) of this section, for the purpose of the definition of "United States duty," a country entitled to free entry with respect to an article is considered to be the country having the lowest rate of ordinary customs duty with respect to such article; thus, in the case of manganese ore, a product which is ordinarily subject to duty but which is admitted free from Cuba, Cuba is the country entitled to the lowest rate of duty and the United States duty for the purpose of this act is zero.

Fears have been expressed by some lawyers that the Cuban preference is not a reduction in the rate of duty but a reduction in the duty—in other words, that the reduction is in dollars and cents of the duty to be collected rather than in the rate of duty to be applied; therefore, it was thought advisable to insert the provisions of paragraph (c) (2) of this section under which it is required that a reduction in ordinary customs duty shall be converted into the equivalent reduction in the rate of ordinary customs duty: for example, in the case of hand-embroidered cotton nightgowns, the world rate on which is 90 percent ad valorem, the duty collected on a nightgown valued at $10 would be $9. If, according to the fears expressed, the Cuban preference is a reduction of duty from $9 to $7.20, the provisions

of subsection (c) (2) above referred to would convert this reduction of $1.80 into a reduction of 18 percent ad valorem, making the rate of duty on the Cuban product 72 percent, which would be the "United States duty." It will be noted that the phrase in the definition "applicable to a like article if imported from the country having the lowest rate" means the rate that would be applicable to a like article if imported from the country which would be entitled to the lowest rate if the like article were imported from that country, even though the records of the Customs Bureau fail to disclose that any such article was ever imported from that country; thus even though, in the illustration above given, no hand-embroidered cotton nightgowns ever were imported from Cuba, nevertheless, Philippine hand-embroidered cotton nightgowns (if a Philippine article) would be entitled to duty computed on the basis of the 72-percent rate of duty; it being borne in mind, however, that the percentage of United States duty to be applied is determined under section 202, ranging from 5 to 100 percent. It should also be borne in mind that in the case of the above example the rates spoken of are the rate of world duty and of Cuban preference now in existence, which at any time may be subject to change by the United States, and if changed the rate in effect at the time of entry of the Philippine article is the one on which the computation is based.

Philippine duty (*sec. 2* (*a*) (*7*)): The term "Philippine duty" is defined exactly the same as the term "United States duty," with the substitution of "Philippines" for "United States" and of "United States" for "Philippines"; but it should be noted, however, that in the case of the Philippines under existing law there is no third country entitled to a preferential rate, so that in the case of "United States articles" imported into the Philippines the preferences under section 312 of the bill will be based on the world rate unless the Philippines grant a special tariff preference to a third country.

Internal tax (*sec. 2* (*a*) (*8*)): The term "internal tax" is defined to include an internal fee, charge, or exaction, and includes a tax, fee, charge, or exaction, imposed on or in connection with importation, unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it should be treated as a duty imposed under the customs laws. The paragraph expressly provides that it shall include the following taxes although the law imposing them expressly provides that they shall be treated as duties imposed under the customs laws—the tax imposed by section 3500 of the Internal Revenue Code, relating to manufactured sugar and sugar products, and so much of the tax imposed by section 2491 (c) of the Internal Revenue Code as relates to products, 10 percent or more of which consists of or is derived from any of the oils (coconut, palm, and palm-kernel) fatty acids, or salts specified in section 2470 of the Internal Revenue Code. For discussion as to reasons for the treatment of these two particular taxes, see discussion under the definition of "ordinary customs duties" a few pages above in this report.

Subsection (*b*): Section 221, prohibiting the imposition of taxes on products of the Philippines in the United States of internal taxes greater than those imposed on like domestic articles or imposed on like foreign articles, whichever is the lower, excepts from the prohibition internal taxes imposed on foreign articles to compensate for an internal tax imposed in respect to materials used in the production

of a like article which is the product of the United States. Section 321 imposes a like prohibition and like exception in the case of Philippine legislation with respect to the products of the United States. Subsection (b) of section 2 makes applicable to those two sections the concept of the chain of production discussed previously in this report in connection with the definition of "Philippine article."

Subsection (c): The provisions of this subsection, which have been discussed previously in this report in connection with the definition of "United States duty," apply equally in the case of the "Philippine duty."

Subsection (d): This subsection is the common provision in acts of Congress that the term "includes" when used in a definition shall not be deemed to exclude other things otherwise within the meaning of the term defined.

Title II

SECTION 201. FREE ENTRY OF PHILIPPINE ARTICLES

This section provides that after the date of enactment of this act up to and including July 3, 1954, Philippine articles (as defined in sec. 2 (a) (4)) shall be entitled to entry into the United States free of ordinary customs duty, as defined in sec. 2 (a) (3). This section does not exempt Philippine articles from antidumping duties or other duties which are excluded from the definition of "ordinary customs duty" (such duties being covered by sec. 204).

The section, contrary to existing law, permits, in the interest of simplicity of administration, free entry of Philippine articles, even though the Philippines has granted to the exporter a draw-back of customs duties paid on materials used in their production. Existing law also confines free entry to Philippine articles coming by direct shipment under through bill of lading. This limitation has also been omitted on the recommendation of the Treasury Department based on the difficulties of administration.

SECTION 202. ORDINARY CUSTOMS DUTIES ON PHILIPPINE ARTICLES

Subsection (a) of this section provides preferential rates on Philippine articles brought in during the period beginning July 4, 1954, and ending with July 3, 1974. The preference is accomplished by applying to these Philippine articles a sliding scale of percentages of "United States duty" starting off with 5 percent of that duty for the period July 4, 1954–December 31, 1954, increasing to 10 percent of the United States duty for the calendar year 1955, and being for each calendar year thereafter until and including the calendar year 1972, the percentage equal to the percentage of the preceding calendar year increased by 5 percent of the United States duty. Under this system in the year 1963 the percentage will be 50 percent of the United States duty and in the year 1972 the percentage will be 95 percent of the United States duty. For the period January 1, 1973–July 3, 1974, the percentage is 100 percent of the United States duty.

Attention is directed to the fact that the above statement should be read in the light of the definition of "Philippine article" found in section 2 (a) (4) and of "United States duty" found in section 2 (a) (6).

In other words, the class of articles to which the preference applies is substantially narrower than "products" of the Philippines; and the "United States duty" to which the percentage is applied is, under the existing state of our tariff laws, the rate applicable to products of Cuba. If the product is admitted free of duty from Cuba, under the definition the United States duty is zero and the application of the percentages to the rate of zero will result in free entry for the Philippine articles.

Under subsection (b) of this section the duty assessed by the United States on Philippine articles brought in after July 3, 1974, will, unless otherwise provided by statute or treaty, be 100 percent of the world rate.

SECTION 203. CUSTOMS DUTIES OTHER THAN ORDINARY

This section states what would undoubtedly be the law without it—that customs duties on Philippine articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 201 and 202 (a) but shall be subject to the provisions of section 204.

SECTION 204. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

This section gives to Philippine articles imported into the United States protection in the case of duties on or in connection with importation (other than "ordinary customs duties" and "internal taxes") against discrimination, by providing that these duties shall not be collected or paid in an amount in excess of the duties imposed with respect to like articles which are the product of any foreign country. This in effect grants most-favored-nation treatment with respect to such matters as countervailing duties, antidumping duties, additional duties for undervaluation, etc. Of course, this does not mean that the Philippines, if alone in granting an export subsidy on a particular article, could claim that this section exempts them from countervailing duties on such article based on such subsidy. They could properly claim, however, that the section does preclude the United States from imposing countervailing duties on Philippine articles on a basis more unfavorable than that employed in the case of a like article produced in other countries and similarly subsidized.

The term "duty" is defined to include taxes, fees, charges, or exactions, imposed on or in connection with importation, but as not including internal taxes or ordinary customs duties.

SECTION 205. EQUALITY IN DUTIES ON PRODUCTS OF PHILIPPINES

This section provides for products of the Philippines which do not qualify as "Philippine articles" protection, in the case of duties on or in connection with importation (including ordinary customs duties) against discrimination. It provides that no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any foreign country (except Cuba). This protection in the case of customs duties not "ordinary customs duties" is, under existing tariff laws, the same protection as is given under section 204 to Philippine articles.

The section in effect gives to Philippine products which are not Philippine articles the most-favored-nation treatment, except for the preferential treatment given to Cuba with respect to ordinary customs duties.

The term "duty" is defined to include taxes, fees, charges, or exactions imposed on or in connection with importation, but as not including internal taxes.

SECTION 211: ABSOLUTE QUOTA ON SUGARS

This section establishes for such Philippine sugars as come under the definition of "Philippine article" a quota for each calendar year in the period from January 1, 1946, to July 3, 1974. The quota for each calendar year is fixed at 850,000 short tons. For the period January 1, 1974, to July 3, 1974, the quota shall be one-half of the above quota.

Of the quota for each calendar year not to exceed 50,000 short tons may be refined sugars, and "refined sugars" is to have the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

Subsection (d) of the section provides for the allocation of the quotas for unrefined sugars. The allocation provided is to be made by the Philippine government and not by any agency of the United States, but must be on the basis provided in the bill. The quota is to be allocated annually to the sugar-producing mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932, and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them.

Subsection (e) provides for the allocation of quotas for refined sugars, the allocation also to be made in this case by the Philippine government. The quota is to be allocated annually to manufacturers of refined sugars in the Philippines in the calendar year 1940 whose refined sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of refined sugars produced by each such manufacturer (or in the case of such successor in interest, produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SECTION 212. ABSOLUTE QUOTA ON CORDAGE

This section establishes for Philippine cordage (which is defined to be a product of the Philippines whether or not qualifying as a "Philippine article") a quota for each calendar year in the period from January 1, 1946, to July 3, 1974. The quota in each calendar year in this period is 6,000,000 pounds, except that during the period January 1, 1974, to July 3, 1974, the quota is 3,000,000 pounds.

The term "cordage" is defined in the same terms as under the existing law relating to the Philippines, and includes "yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930, as amended), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber."

Subsection (d) of the section provides for the allocation of the quotas for cordage. The allocation provided is to be made by the Philippine Government and not by any agency of the United States, but must be on the basis provided by the bill. The quota is to be allocated annually to manufacturers of cordage in the Philippines in the calendar year 1940 whose cordage was exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of cordage produced by each such manufacturer (or in the case of such successor in interest, the amount of the cordage produced by his predecessor in interest) which was exported to the United States during the 12 months immediately preceding the inauguration of the Commonwealth of the Philippines.

SECTION 213: ABSOLUTE QUOTA ON RICE

This section establishes for such Philippine rice as comes under the definition of "Philippine article" a quota for each calendar year in the period January 1, 1946, to July 3, 1974. The quota in each calendar year in this period is 1,040,000 pounds, except that during the period from January 1, 1974, to July 3, 1974, the quota is 520,000 pounds. The term "rice" is defined to include rice meal, flour, polish, and bran.

The section makes no provision for the allocation of this quota.

SECTION 214: ABSOLUTE AND DUTY-FREE QUOTAS ON CERTAIN ARTICLES

Subsection (a) of this section establishes for the Philippine articles (as defined in section 2 (a) (4)) named below an absolute quota for each calendar year in the period from January 1, 1946, to July 3, 1974:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), 200,000,000 cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, 6,500,000 pounds;

(3) Coconut oil, 200,000 long tons; and

(4) Buttons of pearl or shell, 850,000 gross.

For the period January 1, 1974, to July 3, 1974, the quota shall be one-half of the amount so specified with respect to each class of articles, respectively.

Subsection (b) of this section establishes duty-free quotas for the articles enumerated in subsection (a). In each of the calendar years 1946–54, the total amount of the absolute quota can be entered duty-free. In each calendar year thereafter the amount to be admitted duty-free is reduced by 5 percent of the absolute quota as shown in the table included in section 212 (b) (1) of the bill, so that from January 1, 1974, to July 3, 1974, the duty-free quota will be zero as to each class of these articles.

Subsection (b) (2) provides that any of these articles entered in excess of the duty-free quota thus provided shall be subject to 100 percent of the "United States duty" (as defined in section 2 (a) (6)) and will not be entitled to any of the preferential rates provided in section 202, but it is made clear that the absolute quota cannot be exceeded. For example, in 1955, the duty-free quota on cigars above referred to is 190,000,000. The absolute quota is 200,000,000. Ten million cigars represents the difference between the duty-free quota and the absolute quota, and on the difference a duty will be paid based on 100 percent of the "United States duty." (After the duty-free quota has been filled not more than 10,000,000 cigars which are Philippine articles can be brought in in 1955 no matter what duty the importer might be willing to pay.)

Subsection (c) of the section provides for the allocation of the quotas, both absolute and duty-free. The allocation is to be made by the Philippine Government and not by any agency of the United States, but must be on the basis provided by the bill. The quota is to be allocated annually to the manufacturers in the Philippines in the calendar year 1940 of products of the class for which such quota is established and whose products of such class were exported to the United States during such year, or their successors in interest, proportionately on the basis of the amount of the products of such class produced by each manufacturer (or in the case of such successor in interest, the amount of the products of such class produced by his successor in interest) which was exported to the United States in 1940.

SECTION 215: LAWS PUTTING INTO EFFECT ALLOCATIONS OF QUOTAS

This section provides that the necessary laws and regulations for putting into effect the allocation of quotas on the basis provided for in sections 211, 212, and 214, respectively, shall not be enacted by the United States, it being the purpose of the act that such laws and regulations shall be enacted by the Philippines.

SECTION 216. TRANSFERS AND ASSIGNMENTS OF QUOTA ALLOTMENTS

This section provides for the transfer and assignment of allotments of the quotas on terms agreed to by the parties in interest. It also provides that after the first 9 months of any calendar year if the holder of any allotment is unable to export to the United States all of his allotment in time to fill the quota, such amount of the allotment as cannot so be exported during the remainder of the year may be apportioned by the Philippine Government to other holders of allotments under the same quotas or in such other manner as will insure the filling of the quota for that year. It is provided, however, that no transfer, assignment, or reallocation shall diminish the allotment to which the holder may be entitled for any subsequent calendar year

SECTION 221: EQUALITY IN INTERNAL TAXES

Section 221 (a) provides that products of the Philippines coming into the United States, or articles manufactured in the United States wholly or partly from such products, shall not be subject to internal tax in excess of the internal tax imposed with respect to like articles

which are the product of the United States, or in excess of the internal tax imposed with respect to like articles which are the product of any foreign country. If no internal tax is imposed with respect to like articles produced in the United States, no internal tax in any amount is to be collected with respect to the Philippine products. Similarly if no internal tax is imposed with respect to like articles which are the product of any other foreign country no internal tax may be collected with respect to the Philippine article.

These limitations with respect to equality of internal taxes do not apply in the alternative. Both limitations are applicable. For example, assume there is no internal-revenue tax imposed in the United States with respect to the manufacture or sale of product X, but there is an internal-revenue tax imposed with respect to product X when imported from any foreign country. Under the provisions of section 221, the internal-revenue tax with respect to imports of product X may not be collected with respect to imports of product X which are the product of the Philippines. Similarly, assume there is an internal-revenue tax imposed in the United States with respect to the manufacture or sale of product X at the rate of 5 cents per unit and an internal-revenue tax with respect to the importation of product X from any foreign country at the rate of 10 cents per unit. Under section 221 (a) the only amount that could be collected with respect to imports of product X coming from the Philippines is 5 cents per unit. This normally under United States law would be collected on importation. If the situation were reversed and the internal-revenue tax on product X when manufactured or sold in the United States were 10 cents per unit and the internal-revenue tax with respect to product X when imported from any foreign country were 5 cents per unit, no more than 5 cents per unit could be collected with respect to product X when imported from the Philippines. In this latter connection, the effect of section 221 (a) in a situation where there are two internal-revenue taxes with respect to the same article, one with respect to the article produced in the United States and the other with respect to importation, is that such an article when coming from the Philippines is subject to only one tax at a rate not to exceed the lower of the two rates.

Subsections (b) and (c) of section 221 contains certain exceptions to subsection (a).

Section 221 (b) provides that where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed with respect to a like article which is the product of the United States, or with respect to materials used in the production of a like article which is the product of the United States, if the amount of the internal tax which is collected and paid with respect to the article which is a product of the Philippines is not in excess of that permitted to be imposed with respect to like articles which are the product of any other foreign country, such collection and payment is not to be regarded as a violation of section 221 (a). Section 221 (a) does not prohibit the collection of an internal-revenue tax imposed by the United States with respect to imported articles which is designed to compensate for an internal tax affecting United States products or material used in the manufacture of such products, thus permitting articles of United States production to enter United States commerce with an internal-revenue-tax burden

no greater than that borne by like articles imported from foreign countries. For example: Under section 2800 (a) (3) of the Internal Revenue Code a tax of $9 per wine gallon is imposed with respect to all perfumes imported into the United States containing distilled spirits. The United States tax with respect to distilled spirits imposed by section 2800 (a) (1) of the Internal Revenue Code is not imposed with respect to perfume as such. Domestic perfume, however, made with the use of taxable distilled spirits contains as an element of cost the tax paid with respect to such distilled spirits. The tax imposed by section 2800 (a) (3) of the Internal Revenue Code with respect to imported perfumes containing distilled spirits therefore serves to compensate for the internal tax paid in this country with respect to distilled spirits which may be used in the manufacture of perfume in this country. Collection of such tax would, therefore, not be contrary to the intent of section 221 (a) of the bill. Another example is the compensating tax imposed by section 3500 of the Internal Revenue Code with respect to manufactured sugar imported or brought into the United States.

For the purposes of section 221 (b) there is made applicable the definition of section 2 (b) of the bill of what is meant by the phrase "materials used in the production of an article."

Section 221 (c) provides that section 221 does not apply to the taxes imposed under section 2306, 2327, or 2356 of the Internal Revenue Code. These provisions of law relate to internal-revenue taxes imposed with respect to imports of oleomargarine, adulterated butter, and filled cheese. These taxes are of many years' standing and unless expressly excepted from the scope of section 221 would in each case be materially reduced in respect to articles imported from the Philippines, although the full rate would be applicable to such article when imported from other foreign countries. In the case of the liquor excise taxes imposed under chapter 26 of the Internal Revenue Code, section 221 of the bill will effect no change in the existing tax treatment of Philippine products under chapter 26; it was, accordingly, unnecessary to include any reference to these taxes in section 221 (c).

It is to be noted that articles within the scope of section 221 of the bill are not restricted to articles coming within the definition of "Philippine article" contained in section 2 (a) (4) of the bill; all products of the Philippines coming into the United States come within the scope of section 221, without regard to the limitations of section 2 (a) (4) respecting percentage of Philippine material used in their production. For a discussion of the term "Philippine product" reference is made to the comment in this report in section 2 (a) (4).

The term "internal tax" as used in section 221 is defined in section 2 (a) (8).

SECTION 222. EXEMPTION FROM TAX OF MANILA FIBER

This section provides that no processing tax or other internal tax shall be imposed or collected in the United States with respect to manila (abaca) fiber not dressed or manufactured in any manner.

SECTION 223. PROHIBITION OF EXPORT TAXES

This section provides that no export tax is to be imposed or collected by the United States on articles exported to the Philippines.

SECTION 224. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE

This section provides that no processing tax or other internal tax is to be imposed or collected in the United States with respect to articles brought in for the official use of the Philippine Government or its agencies.

SECTION 225. APPLICATION TO PUERTO RICO

Section 9 of the act of March 2, 1917, an act to provide a civil-government for Puerto Rico and for other purposes, states that all statutory laws of the United States not locally inapplicable to Puerto Rico unless otherwise provided for in the act shall have the same force and effect in Puerto Rico as in the United States. An exception is made, however, with respect to the internal-revenue laws. This section amends the act of March 2, 1917, so that the exception with respect to the application of internal-revenue laws will not apply to those contained in this bill.

SECTION 231: IMMIGRATION

This section grants to a Philippine citizen who actually resided in the United States for a continuous period of 3 years immediately prior to November 30, 1941, the right to enter the United States as a non-quota immigrant during a 5-year period July 4, 1946, to July 3, 1951, if he comes to resume residence in the United States. In order to secure him this right the section provides that if he so comes he will not be excluded on the ground of his ineligibility to citizenship (which the bill does not remove), nor by the so-called "barred zone" provision of the Immigration Act of 1917, which will be applicable to natives of the Philippines after independence.

Subsection (b) provides that after admission as a nonquota immigrant he shall be considered as lawfully admitted for permanent residence, for purposes of the immigration and naturalization laws. This will not permit his naturalization, unless he belongs to a class of Filipinos permitted to be naturalized, such as those who have served in our armed forces, but it does insure his right to stay here, and to go and come at his pleasure.

Subsection (c) extends the benefits of the section to his wife, if a Philippine citizen or eligible to citizenship, and his unmarried children under 18, if such wife or children, during such 5-year period, come with or follow to join him.

Subsection (d) excludes from the benefits of the section laborers admitted to Hawaii without immigration visa or passport, under section (8) (a) (1) of the Philippine Independence Act (Tydings-McDuffie Act).

Under section 331 of title III the Philippines will grant the same privileges to our citizens who resided in the Philippines before November 30, 1941.

TITLE III

SECTION 301: STATEMENT OF PURPOSES OF THE TITLE

This section, which constitutes part 1 of title III, states the function which the remaining four parts of the title perform in the framework of the bill and proposed executive agreement.

Subsection (a) states that parts 2, 3, 4, and 5, insofar as applicable up to the date of independence, are intended to, and shall, operate as statutes of the United States, the Philippines being still one of our possessions during this period.

Subsection (b) of the section states that after independence and during the effectiveness of the agreement, parts 2, 3, 4, and 5, although expressed in statutory form, are not intended, as to the period after independence, as an attempt on the part of Congress to legislate for the sovereign Philippine nation, but that they constitute a statement in precise terms of provisions which the Government of the Philippines, upon the taking effect of the executive agreement, will be obligated to observe and execute as the law of the Philippines during the effectiveness of the agreement. In paragraph (2) of this subsection Congress also states its policy and expectation that the provisions of parts 2, 3, 4, and 5, will be observed and executed by the Government of the Philippines even before the date of the taking effect of the executive agreement.

SECTION 311. FREE ENTRY OF UNITED STATES ARTICLES

This section provides that after the date of enactment of this act up to and including July 3, 1954, United States articles (as defined in sec. 2 (a) (5)) shall be entitled to entry into the Philippines free of ordinary customs duty (as defined in sec. 2 (a) (3)). This section does not exempt United States articles from antidumping duties which are excluded from the definition of "ordinary customs duty" (such duties being covered by sec. 314).

The section, contrary to existing law, permits, in the interests of simplicity of administration, free entry of United States articles even though the United States has granted to the exporter a draw-back of customs duties paid on materials used in their production. Existing law also confines free entry to United States articles coming by direct shipment under through bill of lading. This limitation has also been omitted. One further change is made in that under existing law products of the United States are entitled to free entry into the Philippines even though they do not qualify as "United States articles," but under the bill free entry is confined to United States articles, thus making it exactly reciprocal with the free entry granted to the Philippines by section 201.

SECTION 312: ORDINARY CUSTOMS DUTIES ON UNITED STATES ARTICLES

Subsection (a) of this section provides preferential rates on United States articles brought into the Philippines beginning with July 4, 1954, and ending with July 3, 1974. The preference is accomplished by applying to these United States articles a sliding scale of percentages of "Philippine duty" (as defined in sec. 2 (a) (7)) starting off with 5 percent of that duty for the period July 4 to December 31, 1954, increasing to 10 percent of the Philippine duty for the calendar year 1955, and being for each calendar year thereafter until and including the calendar year 1972 the percentage equal to the percentage of the preceding calendar year increased by 5 percent of the Philippine duty. Under this system in the year 1963 the percentage will be 50 percent of the Philippine duty, and in the year 1972 the percentage

will be 95 percent of the Philippine duty. For the period January 1, 1973, to July 3, 1974, the percentage is 100 percent of the Philippine duty.

Attention is directed to the fact that the above statement should be read in the light of the definition of "United States article" found in section 2 (a) (5), and of "Philippine duty" found in section 2 (a) (7). In other words, the class of articles to which the preference applies is substantially narrower than "products" of the United States.

Under subsection (b) of this section the duty assessed by the Philippines on United States articles brought in after July 3, 1974, will, unless otherwise provided by statute or treaty, be 100 percent of the world rate.

SECTION 313: CUSTOMS DUTIES OTHER THAN ORDINARY

This section states what would undoubtedly be the law without it—that customs duties on United States articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 311 and 312 (a) but shall be subject to the provisions of section 314.

SECTION 314: EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

This section, which is correlative to section 204, gives to United States articles imported into the Philippines protection, in the case of duties on or in connection with importation (other than "ordinary customs duties" and "internal taxes"), against discrimination to the same extent and subject to the same provisions as in the case of Philippine articles imported into the United States.

SECTION 315: EQUALITY IN DUTIES ON PRODUCTS OF UNITED STATES

This section provides for products of the United States which do not qualify as "United States articles" protection, in the case of duties on or in connection with importation (including "ordinary customs duties"), against discrimination. It provides that no duty on, or in connection with, importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any foreign country. This protection in the case of customs duties not "ordinary customs duties" is, under existing tariff laws, the same protection as is given under section 314 to United States articles. The section in effect gives to United States products which are not United States articles the most favored nation treatment.

The term "duty" is defined to include taxes, fees, charges, or exactions, imposed on or in connection with importation, but as not including internal taxes.

SECTION 321: EQUALITY IN INTERNAL TAXES

Section 321 contains provisions respecting equality of treatment in the Philippine Islands, for internal tax purposes, of products of the United States and of articles manufactured in the Philippines wholly or partly from products of the United States, similar in every way to the treatment accorded under section 221 (a) and (b) with

respect to products of the Philippines coming to the United States. Reference accordingly is made to the statement in this report respecting section 221. There are no exceptions in section 321 similar to those contained in section 221 (c).

SECTION 322: PROHIBITION OF EXPORT TAXES

This section provides that no export tax is to be imposed or collected by the Philippines on articles exported to the United States.

SECTION 323: EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE

This section provides that no processing tax or other internal tax is to be imposed or collected in the Philippines with respect to articles brought into the Philippines for the official use of the United States or its agencies.

SECTION 331: CERTAIN UNITED STATES CITIZENS GIVEN NONQUOTA STATUS

This section, which is the converse of section 231, entitles a citizen of the United States, who actually resided in the Philippines for a continuous period of 3 years immediately prior to November 30, 1941, the right to enter the Philippines as a nonquota immigrant during a 5-year period July 4, 1946, to July 3, 1951, if he comes to resume residence in the Philippines.

The section also provides that after admission as a nonquota immigrant he shall be considered as lawfully admitted for permanent residence, for purposes of the immigration and naturalization laws.

The section also provides that its benefits shall be extended to the wife of the United States citizen, if she is a United States citizen, and to his unmarried children under 18, if such wife or children, during such 5-year period, come with or follow to join him.

SECTION 332: IMMIGRATION OF UNITED STATES CITIZENS INTO PHILIPPINES

This section, which is to be the law carrying out the provisions required by section 402 (e) to be included in the agreement, is discussed in connection with that section.

SECTION 341: RIGHTS OF UNITED STATES CITIZENS AND BUSINESS ENTERPRISES IN NATURAL RESOURCES

This section provides that the disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities shall, if open to any person, be open to citizens of the United States and to all forms of business enterprise owned or controlled, directly or indirectly, by United States citizens.

Upon the taking effect of the executive agreement provided for in title IV, this section will become a law of the Philippines except such part as is in conflict with the constitution of the Philippines. In

order to insure the giving of the protection to our citizens and business enterprises, some substantial changes will have to be made in the Philippine Constitution, and title IV is careful to grant relief from the necessity of executing as law of the Philippines the parts so in conflict with the constitution, until the necessary amendments to the constitution have been made. Section 404 (e) (1), however, provides that if our President deems that such constitutional amendments have not been effected within a reasonable time, he shall so proclaim and the executive agreement shall cease to be in effect.

In connection with this section, attention is directed to the provisions of section 404 (e) (2) and (3), and to the provisions of section 501, which are discussed later in this detailed analysis.

SECTION 342. CURRENCY STABILIZATION

This section provides that the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

Attention is directed to the provisions of section 402 (f) referred to later in this detailed analysis.

SECTION 343: ALLOCATION OF QUOTAS

This section provides that the allocation, reallocation, transfer, and assignment of quotas established by sections 211, 212, and 214, respectively, of part 2 of title II, shall be on the basis provided for in such part.

Title IV

SECTION 401. AUTHORIZATION OF AGREEMENT

This section authorizes the President to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of the provisions of title II and of parts 2, 3, 4, and 5 of title III. The authority of our President to enter into the agreement under this act is conditioned upon the inclusion in the agreement of provisions that the agreement shall not take effect—

(1) Unless and until the agreement is accepted by law by the Congress of the Philippines; and

(2) Unless and until the Congress of the Philippines has enacted such legislation as may be necessary to make all the provisions of parts 2, 3, 4, and 5 of title III take effect as law of the Philippines; except that compliance with so much of section 341 as is in conflict with the Philippine Constitution is not required until the constitution is amended to remove such conflict.

SECTION 402. OBLIGATIONS OF PHILIPPINES

This section enumerates certain obligations on the part of the Philippines that must be incorporated in the agreement if it is to be made by the President under authority of section 401.

Laws continued in effect.—Under subsection (a) the Philippines will be obligated to continue in effect as laws of the Philippines, during the effectiveness of the agreement, the provisions of parts 2, 3, 4, and 5 of title III which, under the provisions of section 401, must have been made the laws of the Philippines by the Philippine Congress before the agreement can take effect. Exception is made (for the period prior to the amendment of the Constitution of the Philippines referred to in subsection (b) of this section) of such provisions of section 341 as conflict with such constitution.

Constitutional amendment.—Under subsection (b) of this section the Government of the Philippines will be obligated promptly to take such steps as are necessary to secure an amendment to the Constitution of the Philippines so as to permit the taking effect as laws of the Philippines such part of the provisions of section 341 as is in conflict with such constitution before such amendment.

Supplementary Legislation.—Under subsection (c) of this section the Philippines will be obligated to promptly enact and keep in effect during the effectiveness of the agreement such legislation as may be necessary—

(1) To supplement the legislation the enactment of which, under section 401, is necessary to the effectiveness of the agreement; and to implement the provisions of parts 2, 3, 4, and 5 of title III; and

(2) To put and keep in effect, during the effectiveness of the agreement, the allocation, reallocation, transfer, and assignment of quotas on the basis provided for in part 2 of title II.

Basis for allocation of quotas.—Under subsection (d) the Philippines agree that the United States shall have the right to provide the basis for the allocation of any quotas established under the portion of the agreement setting forth the provisions of section 403 (c) (see discussion of that section later in this report) and that if the United States exercises such right then the Philippines shall promptly enact and keep in force legislation necessary to put and keep in effect, on the basis provided by the United States, the allocation of such quotas.

Immigration.—Under subsection (e) there must be included in the agreement a provision under which there will be admitted to the Philippines (without regard to the annual quota of 500 permanent immigrants which will be applied to us beginning July 4, 1946) during each of the years of a specified period of years (not less than 5), of a specified number (not less than 1,000) of United States citizens. The length of time each shall be entitled to remain in the Philippines is to be specified in the agreement.

Section 332 of title III implements this agreement and, as law of the Philippines when the agreement takes effect, will permit entry of our citizens in accordance with the terms of the agreement.

Currency stabilization.—Under subsection (f) of this section the Philippines agrees that the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SECTION 403. OBLIGATIONS OF UNITED STATES

This section enumerates certain obligations on the part of the United States that must be incorporated in the agreement if it is to be made by the President under authority of section 401.

Laws continued in effect.—Under subsection (a) the United States will be obligated to continue in effect during the effectiveness of the agreement the provisions of title II as laws of the United States. If, however, such provisions are not in effect at the time the agreement takes effect (because suspended under section 502) the agreement is that they shall be made to take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

Supplementary legislation.—Under subsection (b) of section 403 the United States will be obligated promptly to enact and keep in effect during the effectiveness of the agreement such legislation as may be necessary to supplement and implement the provisions of title II.

Quotas.—Subsection (c) provides that with respect to quotas on Philippine articles (other than the quotas established in part 2 of title II, and other than quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles) the United States will not establish any such quota for any period before January 1, 1948, and for any part of the period January 1, 1948–July 3, 1974, it will (with the above exceptions) establish a quota with respect to Philippine articles only if the President of the United States, after investigation, finds that such Philippine articles are coming, or are likely to come, into substantial competition with like domestic articles. The quota established for any Philippine article for any 12-month period is not to be less than the amount determined by the President as the total amount of the Philippine articles of such class which entered the United States during the 12-month period preceding the start of the investigation. Attention is directed to the provisions of section 504 authorizing the President to establish such quotas after findings made after investigation by the Tariff Commission, and the discussion of the section in a later portion of this detailed analysis.

Coconut oil processing tax.—Subsection (d) of section 403, provides that during the effectiveness of the agreement the United States will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue Code (relating to processing taxes on coconut oil, etc.) with respect to coconut oil derived from Philippine copra; except that it may suspend the 2 cents tax imposed by section 2470 (a) (2) during any period as to which the President of the United States, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States.

Attention is called to the provisions of section 505 (b) which authorizes the President to suspend the 2-cent tax upon such finding, and to the discussion in a later part of this detailed analysis.

SECTION 404. TERMINATION OF AGREEMENT

This section enumerates certain provisions as to termination and suspension of the agreement that must be incorporated in the agreement if it is to be made by the President under authority of section 401.

Termination in general.—Under subsection (a), the agreement is to have no effect after July 3, 1974.

Termination by either party.—Under subsection (b) (1) of section 404 the agreement may be terminated by either party at any time, upon not less than 5 years' notice.

Under subsection (b) (2) of section 404, if the President of the United States or the President of the Philippines determines and proclaims that the other country has adopted or applied measures or practices which would operate to nullify or impair any right or obligation provided for in such agreement, then the agreement may be terminated upon not less than 6 months' notice.

Termination by United States for failure to amend Constitution.—Under subsection (c) (1) of section 404, if the President of the United States determines that a reasonable time for the making of the amendment to the Constitution of the Philippines referred to in section 402 (b) has elapsed, but that such amendment has not been made, he shall so proclaim and the executive agreement shall have no effect after the date of such proclamation.

Suspension or termination for discrimination.—Subsection (c) (2) of section 404 provides that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the Philippines are in any manner discriminating against citizens of the United States or any form of United States business enterprise, then the United States shall have the right to suspend the effectiveness of the whole or any portion of the agreement.

Subsection (c) (3) of section 404 provides that if the President, after such consultation, finds that the discrimination has ceased, then the suspension shall end, but if he finds that the discrimination has not ceased after a time determined by him to be reasonable then the United States shall have the right to terminate the agreement upon not less than 6 months' notice.

Attention is directed to section 501, authorizing the President to provide for the suspensions and terminations authorized by these provisions of the agreement, and to the discussion of that section in a later portion of this detailed analysis.

SECTION 405. EFFECT OF TERMINATION OF AGREEMENT

This section provides that upon the termination of the agreement as provided in section 404, the provisions of title II shall cease to have effect as laws of the United States. For example, upon the termination of the agreement the United States laws providing for preferential treatment will be definitely terminated.

SECTION 406. INTERPRETATION OF AGREEMENT

This section provides that the President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides that the acceptance of the provisions of titles II and III is on the understanding that the definitions, and provisions in the nature of definitions, contained in section 2 of title I, shall apply in the interpretation of the provisions so accepted.

SECTION 407. TERMINATION OF AUTHORITY TO MAKE AGREEMENT

This section provides that whenever the President of the United States determines that a reasonable time for the entering into, acceptance, and taking effect of the executive agreement has elapsed, but that such agreement has not taken effect, he shall so proclaim, and thereupon his authority to enter into such executive agreement shall terminate, and the provisions of title II shall cease to have effect as laws of the United States.

SECTION 408. EFFECTIVE DATE OF AGREEMENT

This section provides that when the President of the United States determines that the executive agreement entered into under section 401 has been accepted by the Congress of the Philippines by law and that the Congress of the Philippines has enacted the legislation the enactment of which is, under section 401, a condition precedent to the taking effect of the agreement, he shall so proclaim, and in his proclamation specify the effective date of the agreement.

Title V

SECTION 501. SUSPENSION AND TERMINATION OF AGREEMENT IN CASE OF DISCRIMINATION

This section is enacted under the reservation of the right of the United States which will be incorporated in the executive agreement under section 404 (c) (2) and (3).

Subsection (a) provides that if the President of the United States determines, after consultation with the President of the Philippines, that the Philippines are in any manner discriminating against citizens of the United States or any form of United States business enterprise, he shall so proclaim, and thereupon the effectiveness of the agreement or such part thereof as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States, shall be suspended.

Subsection (b) provides that if the President, after such consultation, determines that the discrimination has ceased, he shall so proclaim, and thereupon the suspension shall end.

Subsection (c) provides that if the President, after such consultation, determines that the discrimination has not ceased after the lapse of a time determined by him to be reasonable, he shall so proclaim and give to the Philippines notice of the intention of the United States to terminate the agreement. (Notice of not less than 6 months required by sec. 404 (c).)

Subsection (d) provides for the suspension or termination of the provisions of title II as laws of the United States to the extent necessary to give effect to the suspension or termination of the agreement effected under subsections (a), (b), or (c).

SECTION 502. SUSPENSION OF TITLE II

This section provides that if the President finds that, during the interim period between independence and the taking effect of the executive agreement, the Philippines are not putting into effect, or

making every effort to put into effect, to the fullest extent possible under its constitution, the provisions of title III, or is not providing for the allocation of quotas on the basis provided for in section 211, 212, or 214, respectively, he shall so proclaim. On the day following the date of the proclamation, such provisions of title II shall be suspended as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States. The suspension is to continue until the taking effect of the executive agreement.

SECTION 503. CUSTOMS DUTIES ON IMPORTATIONS FROM PHILIPPINES

This section provides that the classes of articles enumerated below shall, from the day after the date of the enactment of this act, be subject to the same duties as like articles coming or imported into the United States from foreign countries, except Cuba—

(1) articles coming or imported into the United States from the Philippines, other than Philippine products;

(2) Philippine products coming or imported into the United States, other than Philippine articles; and

(3) with respect to the period after the effectiveness of the agreement has ceased, Philippine articles coming or imported into the United States.

The bill makes no change in the law with respect to the dutiable status of articles coming into the United States from American possessions other than the Philippines, e. g., Guam and American Samoa.

SECTION 504. QUOTAS ON PHILIPPINE ARTICLES

This section implements the portions of the executive agreement referred to in sections 402 (d) and 403 (e) discussed previously in this detailed analysis. Under the executive agreement incorporating the provisions of section 403 (e), the United States agrees not to establish before 1948 new quotas, except quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles, and that the United States will not establish new quotas (with the same exception) after 1947 and during the effectiveness of the agreement unless the President, after investigation, finds that the Philippine article is coming or is likely to come into substantial competition with like articles of the United States. The amount of any such new quotas shall not be less than the amount determined by the President as the total amount imported into the United States during the 12-month period preceding the start of the investigation.

Subsection (a) of section 504 provides that whenever the President, after the investigation by the Tariff Commission provided for in subsection (d) of this section, finds with respect to any Philippine articles (other than the ones for which quotas are established by part 2 of title II) that they are coming or are likely to come into substantial competition with like domestic articles, he shall so proclaim and in the proclamation fix the quotas. If he finds that the allocation of the quota is necessary he shall by proclamation provide the basis of the allocation, which under the provisions of the executive agreement referred

to in section 402 (d) the United States reserves the right to provide for in the case of these new quotas.

Subsection (b) of section 504 provides that the President cannot establish a quota larger than the smallest amount which he determines may be entered without coming into substantial competition with like domestic articles; but in no case shall the quota be less than the minimum amount above referred to in the discussion of this section.

Subsection (c) provides that any new quota thus established shall become effective at the time designated by the President (but not before January 1, 1948) and shall continue in effect until the President, after investigation, finds and proclaims that there is no further need for the quota; but no quota established under this section shall continue in effect after the termination of the executive agreement.

Subsection (d) provides for investigations by the Tariff Commission to aid the President in making the findings required by this section and by the executive agreement. The investigations on the subject of new quotas are to be made by the Commission at the request of the President, or of either House of Congress, or upon its own motion, or when in its judgment there is good reason therefor upon application by any interested party. The investigation shall be to ascertain (1) whether the Philippine articles are coming or are likely to come into substantial competition with like domestic articles; (2) what is the maximum quota which would prevent substantial competition; and (3) the amount imported into the United States during the 12 months preceding the start of the investigation.

The Commission is to give opportunity to interested parties for a public hearing and shall give precedence to the investigation. The Commission is to report the results of its investigations to the President, and shall send copies of such report to each House of Congress.

SECTION 505. PROCESSING TAX ON COCONUT OIL

This section is to implement the provisions of section 403 (d) under which the United States in the executive agreement undertakes that it will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue Code (relating to tax on processing of coconut oil) with respect to coconut oil derived from Philippine copra. The United States reserves the right to suspend the provisions of section 2470 (a) (2) of the Internal Revenue Code (which imposes an additional processing tax of 2 cents per pound on the processing of coconut oil derived from copra produced in countries other than the Philippines) if he finds, after consultation with the President of the Philippines, that adequate supplies of neither copra nor coconut oil from the Philippines are readily available for processing in the United States.

Subsection (a) of section 505 makes the necessary amendments to section 2470 (a) (2) of the Internal Revenue Code to carry out the promise of the United States.

Subsection (b) of section 505 provides that whenever the President, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil from the Philippines are readily available for processing in the United States he shall

so proclaim, and thereafter the additional tax of 2 cents per pound, imposed by section 2470 (a) (2) of the Internal Revenue Code on the processing of coconut oil derived from copra produced in countries other than the Philippines, shall be suspended until the expiration of 30 days after he proclaims that, after consultation with the President of the Philippines, he has found that such adequate supplies are so readily available.

SECTION 506. TERMINATION OF PAYMENTS INTO PHILIPPINE TREASURY

Under existing law the proceeds of certain duties and taxes, accruing and collected with respect to articles coming from the Philippines (including the processing tax under sec. 2470 of the Internal Revenue Code on coconut oil derived from Philippine copra, whether imported as oil or copra), are required to be paid into the general funds of the Treasury of the Philippines or to be held first as a separate fund and then paid into the Treasury of the Philippine Islands, to be used for the benefit of the people and government of the islands. In order to terminate this arrangement upon the independence of the Philippines, this section repeals the provisions of the Internal Revenue Code providing for coverage of such collections into the Philippine Treasury and requires that all the proceeds of such duties and taxes collected after July 3, 1946, shall be covered into the general fund of the Treasury of the United States. Under the act of November 8, 1945, and section 19 (a) of the act of March 24, 1934, as added to such act by section 6 of the act of August 7, 1939, the proceeds of the taxes imposed by sections 2470, 2490, and 2491 of the Internal Revenue Code, accruing prior to July 4, 1946, are to be paid into the general funds of the Treasury of the Philippines. Pursuant to the act of November 8, 1945, and computed in accordance with section 503 of the Sugar Act of 1937, as amended, the proceeds of taxes collected or accrued under sections 3490 and 3500 on sugars produced from sugarcane grown in the Philippines, manufactured in or brought into the United States on or prior to June 30, 1947, are to be paid into the general fund of the Treasury of the Philippines. This section provides that the proceeds of any such taxes actually collected after July 3, 1946, although accruing on or prior thereto, shall be paid into the general fund of the Treasury of the United States.

SECTION 507. SPECIAL EXCISE PROVISIONS RELATING TO PHILIPPINES REPEALED

Chapter 28, subchapter B, of the Internal Revenue Code contains provisions with respect to the application of excise taxes in the United States and the Philippines on shipments between the United States and the islands and on imports into the Philippines from countries other than the United States. These provisions are similar to others in that part of the Code with respect to other possessions of the United States. As soon as the Philippines are independent, these provisions will no longer be necessary or consistent with such status, and, therefore, are repealed as of July 4, 1946. This section also makes clerical changes in the Code to adjust it to these repeals.

SECTION 508. TRADE AGREEMENTS WITH THE PHILIPPINES

This section prohibits the making of trade agreements with the Philippines under section 350 of the Tariff Act of 1930 during the effectiveness of the agreement authorized by section 401 of this act, and between the time of the enactment of this act and the taking effect of the agreement, unless the President has found that a reasonable time has elapsed without the agreement taking effect, and has made the proclamation provided for in section 407.

SECTION 509. RIGHTS OF THIRD COUNTRIES

This section provides that the benefits granted by this act, and by the executive agreement provided for in title IV, to the Philippines, Philippine articles or products, and Philippine citizens, shall not, by reason of any provision of any existing treaty or agreement with any third country, be extended to such country or its products, citizens, or subjects. This section makes clear that the benefits to the Philippines under this act shall be exclusive and shall not be extended to any foreign country.

SECTION 510. ADMINISTRATION OF TITLE II

Subsection (a) of this section provides that the provisions of title II relating to customs duties, quotas, and internal taxes shall be administered as parts of the customs and internal revenue laws of the United States.

Subsection (b) of this section provides that the provisions of title II granting certain Philippine citizens nonquota status shall be administered as part of the immigration laws.

SECTION 511. REPEALS

This section repeals, effective the day after the date of enactment of the act, the provisions of existing law dealing with the tariff status of Philippine goods brought into the United States, which subject matter is fully covered by the provisions of the bill.

SECTION 512. EFFECTIVE DATE

This section provides that this act shall take effect the day after the date of enactment, except the provisions of part 2 of title II relating to certain quotas, which will take effect as of January 1, 1946.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

ACT OF MARCH 2, 1917

SEC. 9. That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal revenue [laws] *laws, other than those contained in the Philippine Trade Act of 1946*: *Provided, however*, That hereafter all taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico.

INTERNAL REVENUE CODE

SEC. 2470. TAX.

(a) RATE.—

* * * * * * *

(2) ADDITIONAL RATE ON COCONUT OIL.—There shall be imposed (in addition to the tax imposed by the preceding paragraph) a tax of 2 cents per pound, to be paid by the processor, upon the first domestic processing of coconut oil or of any combination or mixture containing a substantial quantity of coconut oil with respect to which oil there has been no previous first domestic processing, except that the tax imposed by this sentence shall not apply when it is established, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, that such coconut oil (whether or not contained in such a combination or mixture), (A) is wholly the production of the Philippine Islands or any [other] possession of the United States, or (B) was produced wholly from materials the growth or production of the Philippine Islands or any [other] possession of the United States, or (C) was brought into the United States on or before June 9, 1934, or produced from materials brought into the United States on or before June 9, 1934, or (D) was purchased under a bona fide contract entered into prior to April 26, 1934, or produced from materials purchased under a bona fide contract entered into prior to April 26, 1934. *The tax imposed by this paragraph shall not apply to any domestic processing after July 3, 1974.*

* * * * * * *

[SEC. 2476. COLLECTIONS COVERED INTO THE PHILIPPINE TREASURY.

All taxes collected under this chapter with respect to coconut oil wholly of Philippine production or produced from materials wholly of Philippine growth or production, shall be held as a separate fund and paid to the Treasury of the Philippine Islands, but if at any time the Philippine Government provides by any law for any subsidy to be paid to the producers of copra, coconut oil, or allied products, no further payments to the Phillipine Treasury shall be made under this section.]

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SEC. 2800. TAX.

(a) RATE.—

* * * * * * *

(4) ALCOHOLIC COMPOUNDS FROM [PUERTO RICO, VIRGIN ISLANDS, AND PHILIPPINES] *PUERTO RICO AND VIRGIN ISLANDS.*—

(A) PUERTO RICO.—Except as provided in section 3123, upon bay rum, or any article containing alcohol, brought from Puerto Rico into the United States for consumption or sale there shall be paid a tax on the spirits contained therein at the rate imposed on distilled spirits produced in the United States, to be collected at the port of entry by the collector of internal revenue of the district in which the port is located. The Commissioner, with the approval of the Secretary, is authorized to make such rules and regulations as may be necessary to carry this paragraph into effect.

(B) VIRGIN ISLANDS [AND PHILIPPINES].—For provisions relating to tax on alcoholic compounds from *the* Virgin [Islands and Philippines, see sections 3350 and 3340] *Islands, see section 3350.*

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CHAPTER 28— * * *

SUBCHAPTER B—PROVISIONS OF SPECIAL APPLICATION TO THE [PHILIPPINES, VIRGIN ISLANDS,] *VIRGIN ISLANDS* AND PUERTO RICO

[PART I—PHILIPPINE ISLANDS

[SEC. 3340. SHIPMENTS TO THE UNITED STATES.

[(a) TAX IMPOSED IN UNITED STATES.—

[(1) AMOUNT.—There shall be levied, collected, and paid, in the United States, upon articles, goods, wares, or merchandise coming into the United States from the Philippine Islands a tax equal to the internal-revenue tax imposed in the United States upon the like articles, goods, wares, or merchandise of domestic manufacture.

[(2) PAYMENT.—Such tax shall be paid by internal revenue stamp or stamps, to be provided by the Commissioner, and to be affixed in such manner and under such regulations as he, with the approval of the Secretary, shall prescribe.

[(b) EXEMPTION FROM TAX IMPOSED IN THE PHILIPPINE ISLANDS.—Such articles, goods, wares, or merchandise shipped from said islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of the Philippine Islands.

[SEC. 3341. SHIPMENTS FROM THE UNITED STATES.

[(a) TAX IMPOSED IN PHILIPPINE ISLANDS.—

[(1) AMOUNT.—There shall be levied, collected, and paid in the Philippine Islands, upon articles, goods, wares, or merchandise going into the Philippine Islands from the United States, a tax equal to the internal revenue tax imposed in the Philippine Islands upon the like articles, goods, wares, or merchandise of Philippine Islands manufacture.

[(2) PAYMENT.—Such tax shall be paid by internal revenue stamps or otherwise, as provided by the laws of the Philippine Islands.

[(b) EXEMPTION FROM TAX IMPOSED IN UNITED STATES.—Such articles, goods, wares, or merchandise going into the Philippine Islands from the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of the United States.

[(c) DRAWBACK OF TAX PAID IN THE UNITED STATES.—All provisions of law for the allowance of drawback of internal revenue tax on articles exported from the United States are, so far as applicable, extended to like articles upon which an internal revenue tax has been paid when shipped from the United States to the Philippine Islands.

[SEC. 3342. IMPORTS FROM COUNTRIES OTHER THAN THE UNITED STATES.

[In addition to the customs taxes imposed in the Philippine Islands, there shall be levied, collected, and paid therein upon articles, goods, wares, or merchandise imported into the Philippine Islands from countries other than the United States the internal revenue tax imposed by the Philippine Government on like articles manufactured and consumed in the Philippine Islands or shipped thereto for consumption therein from the United States.

[SEC. 3343. DEPOSIT OF INTERNAL REVENUE COLLECTIONS.

[(a) PAYMENT INTO THE PHILIPPINE TREASURY.—All internal revenues collected in or for account of the Philippine Islands shall accrue intact to the general government thereof and be paid into the insular treasury.

[(b) PHILIPPINE TRUST FUND.—The duties and taxes collected in the Philippine Archipelago in pursuance of the act of March 8, 1902, c. 140, 32 Stat. 54, and all duties and taxes collected in the United States upon articles coming from the Philippine Archipelago and upon foreign vessels coming therefrom, shall not be covered into the general fund of the Treasury of the United States, but shall be held as a separate fund and paid into the treasury of the Philippine Islands, to be used and expended for the government and benefit of said islands.

[(c) CROSS REFERENCE.—

[For special provisions relating to taxes collected in the case of coconut oil, see section 2476.]

[PART II] *PART I*—VIRGIN ISLANDS

SEC. 3350. SHIPMENTS TO THE UNITED STATES.

(a) TAXES IMPOSED IN THE UNITED STATES.—Except as provided in section 3123, there shall be levied, collected, and paid in the United States, upon articles coming into the United States from the Virgin Islands, a tax equal to the internal revenue tax imposed in the United States upon like articles of domestic manufacture.

(b) EXEMPTION FROM TAX IMPOSED IN THE VIRGIN ISLANDS.—Such articles shipped from such islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of such islands.

SEC. 3351. SHIPMENTS FROM THE UNITED STATES.

(a) TAX IMPOSED IN VIRGIN ISLANDS.—There shall be levied, collected, and paid in the Virgin Islands upon articles imported from the United States, a tax equal to the internal revenue tax imposed in such islands upon like articles there manufactured.

(b) EXEMPTION FROM TAX IMPOSED IN THE UNITED STATES.—Such articles going into such islands from the United States shall be exempt from payment of any tax imposed by the internal revenue laws of the United States.

(c) DRAW-BACK OF TAX PAID IN THE UNITED STATES.—All provisions of law for the allowance of draw-back of internal revenue tax on articles exported from the United States are, so far as applicable, extended to like articles upon which an internal revenue tax has been paid when shipped from the United States to the Virgin Islands.

[PART III] *PART II*—PUERTO RICO

SEC. 3360. SHIPMENTS TO THE UNITED STATES.

(a) RATE OF TAX.—Except as provided in section 3123, articles of merchandise of Puerto Rican manufacture coming into the United States and withdrawn for consumption or sale shall be subject to a tax equal to the internal revenue tax imposed in the United States upon the like articles of merchandise of domestic manufacture.

(b) PAYMENT OF TAX.—

(1) UPON ENTRY INTO UNITED STATES.—Such tax shall be paid by internal revenue stamp or stamps to be purchased and provided by the Commissioner and to be procured from the collector of internal revenue at or most convenient to the port of entry of said merchandise in the United States, and to be affixed under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe.

(2) BEFORE SHIPMENT FROM PUERTO RICO.—All United States internal revenue taxes imposed by law on articles of Puerto Rican manufacture coming into the United States for consumption or sale may be paid by affixing to such articles before shipment thereof a proper United States internal revenue stamp denoting such payment.

(A) APPOINTMENT OF DEPUTY COLLECTOR AT SAN JUAN.—For the purpose of carrying into effect the provisions of paragraph (2) of this subsection, the Secretary is authorized to grant to such collector of internal revenue as may be recommended by the Commissioner, and approved by the Secretary, an allowance for the salary and expenses of a deputy collector to be stationed at San Juan, Puerto Rico, the appointment of this deputy to be approved by the Secretary.

(B) Bond of deputy collector at San Juan.—Before entering upon the duties of his office such deputy collector shall execute a bond, payable to the collector appointing him, in such amount and with such sureties as he may determine.

(C) Duties of deputy collector at San Juan.—The collector will place in the hands of such deputy all stamps necessary for the payment of the proper tax on articles produced in Puerto Rico and shipped to the United States, and the said deputy, upon proper payment made for said stamps, shall issue them to manufacturers in Puerto Rico. All such stamps so issued or transferred to said deputy shall be charged to the collector and be accounted for by him as in the case of other tax-paid stamps. The deputy collector assigned to this duty shall perform such other work in connection with the inspection and stamping of such articles, and shall make such returns as the Commissioner may, by regulations approved by the Secretary, direct.

(D) General laws applicable.—All provisions of law relative to the appointment, duties, and compensation of deputy collectors, including office rent and other necessary expenses, shall, so far as applicable, apply to the deputy assigned to duty under the provisions of paragraph (2) of this subsection.

(c) Deposit of Internal Revenue Collections.—All taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island, shall be covered into the treasury of Puerto Rico.

SEC. 3361. SHIPMENTS FROM THE UNITED STATES.

(a) Tax Imposed in Puerto Rico.—All articles of merchandise of United States manufacture coming into Puerto Rico shall be entered at the port of entry upon payment of a tax equal in rate and amount to the internal revenue tax imposed in Puerto Rico upon the like articles of Puerto Rican manufacture.

(b) Exemption From Tax Imposed in the United States.—Articles, goods, wares, or merchandise going into Puerto Rico, Guam, and American Samoa from the United States shall be exempted from the payment of any tax imposed by the internal revenue laws of the United States.

(c) Drawback of Tax Paid in the United States.—All provisions of law for the allowance of drawback of internal revenue tax on articles exported from the United States are, so far as applicable, extended to like articles upon which an internal revenue tax has been paid when shipped from the United States to Puerto Rico, Guam, or American Samoa.

Tariff Act of 1930

[SEC. 301. PHILIPPINE ISLANDS.

[There shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from foreign countries: *Provided*, That all articles, the growth or product of or manufactured in the Philippine Islands from materials the growth or product of the Philippine Islands or of the United States, or of both, or which do not contain foriegn materials to the value of more than 20 per centum of their total value, upon which no drawback of customs duties has been allowed therein, coming into the United States from the Philippine Islands shall hereafter be admitted free of duty: *Provided, however*, That in consideration of the exemptions aforesaid, all articles, the growth, product, or manufacture of the United States, upon which no drawback of customs duties has been allowed therein, shall be admitted to the Philippine Islands from the United States free of duty: *And provided further*, That the free admission, herein provided, of such articles, the growth, product, or manufacture of the United States, into the Philippine Islands, or of the growth, product, or manufacture, as hereinbefore defined, of the Philippine Islands into the United States, shall be conditioned upon the direct shipment thereof, under a through bill of lading, from the country of origin to the country of destination: *Provided*, That direct shipments shall include shipments in bond through foreign territory contiguous to the United States: *Provided, however*, That if such articles become unpacked while en route by accident, wreck, or other casualty, or so damaged as to necessitate their repacking, the same shall be admitted free of duty upon satisfactory proof that the unpacking occurred through accident or necessity and that the merchandise involved is the identical merchandise originally shipped from

the United States or the Philippine Islands, as the case may be, and that its condition has not been changed except for such damage as may have been sustained: *And provided*, That there shall be levied, collected, and paid, in the United States, upon articles, goods, wares, or merchandise coming into the United States from the Philippine Islands a tax equal to the internal-revenue tax imposed in the United States upon the like articles, goods, wares, or merchandise of domestic manufacture; such tax to be paid by internal-revenue stamp or stamps, to be provided by the Commissioner of Internal Revenue, and to be affixed in such manner and under such regulations as he, with the approval of the Secretary of the Treasury, shall prescribe; and such articles, goods, wares, or merchandise shipped from said islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of the Philippine Islands: *And provided further*, That there shall be levied, collected, and paid in the Philippine Islands, upon articles, goods, wares, or merchandise going into the Philippine Islands from the United States, a tax equal to the internal-revenue tax imposed in the Philippine Islands upon the like articles, goods, wares, or merchandise of Philippine Islands manufacture; such tax to be paid by internal-revenue stamps or otherwise, as provided by the laws of the Philippine Islands; and such articles, goods, wares, or merchandise going into the Philippine Islands from the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of the United States: *And provided further*, That in addition to the customs taxes imposed in the Philippine Islands, there shall be levied, collected, and paid therein upon articles, goods, wares, or merchandise imported into the Philippine Islands from countries other than the United States the internal-revenue tax imposed by the Philippine Government on like articles manufactured and consumed in the Philippine Islands or shipped thereto for consumption therein from the United States: *And provided further*, That from and after the passage of this Act all internal revenues collected in or for account of the Philippine Islands shall accrue intact to the general government thereof and be paid into the insular treasury.]

Act of March 24, 1934, as Amended

Sec. 6. [During the period beginning January 1, 1940, and ending July 3, 1946, trade relations between the United States and the Philippines shall be as now provided by law, subject to the following exceptions:

[(a) On and after January 1, 1941, the Philippine Government shall impose and collect an export tax on every Philippine article shipped from the Philippines to the United States, except as otherwise specifically provided in this section. Said tax shall be computed in the manner hereinafter set forth in this subsection and in subsection (c) of this section. During the period January 1, 1941, through December 31, 1941, the export tax on every such article shall be 5 per centum of the United States duty; on each succeeding January 1 thereafter the export tax shall be increased progressively by an additional 5 per centum of the United States duty, except that during the period January 1, 1946, through July 3, 1946, the export tax shall remain at 25 per centum of the United States duty.

[(b) (1) No export tax described in subsection (a) of this section shall be imposed or collected upon any Philippine article of a class or kind in respect of which a quota is established by subdivision (3) of this subsection. nor upon copra or manila (abaca) fiber not dressed or manufactured in any manner.

[(2) The United States duty shall be levied, collected, and paid in the United States upon every article which is of a class or kind in respect of which a quota is established by subdivision (3) of this subsection and which is entered, or withdrawn from warehouse, for consumption after December 31, 1939, in excess of its respective quota: *Provided, however*, That nothing in this section or any subsection thereof shall be construed to exempt the quota of coconut oil therein provided for from the excise taxes provided for in section 2470 of the Internal Revenue Code (I. R. C., ch. 21, sec. 2470).

[(3) For the purposes indicated in subdivisions (1) and (2) of this subsection, there are hereby established the following quotas of the designated Philippine articles: For the calendar year 1940, the quotas, hereafter called original quotas, shall be as follows:

[a. cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes including wrappers), two hundred million cigars;

[b. scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, four million five hundred thousand pounds;

[c. coconut oil, two hundred thousand long tons;

[d. buttons of pearl or shell, eight hundred and fifty thousand gross. For each calendar year thereafter through the calendar year 1945, each of the said quotas shall be the same as the corresponding quota for the immediately preceding calendar year, less 5 per centum of the corresponding original quota.

[For the period January 1, 1946, through July 3, 1946, each of said quotas shall be one-half of the corresponding quota specified for the calendar year 1945.

[(c) The Philippine Government, in imposing and collecting export taxes on Philippine embroideries, shall compute the tax in accordance with the formulas specified in subsection (a) of this section, except that in determining the taxable value of any such article, an allowance shall be made equal to the cost—cost, insurance, and freight the Philippines—of any cloth of United States origin used in the production thereof.

[(d) The United States duty shall be levied, collected, and paid, in the United States, upon all Philippine sugars, which are entered, or withdrawn from warehouse, for consumption in any calendar year after 1939, in excess of eight hundred and fifty thousand long tons, of which not more than fifty thousand long tons may be refined sugars: *Provided, however,* That for the period January 1, 1946, through July 3, 1946, the quota of Philippine sugars, not subject to the United States duty, shall be four hundred and twenty-five thousand long tons, of which not more than twenty-five thousand long tons may be refined sugars. Any export tax imposed and collected on Philippine sugars entered or withdrawn from warehouse for consumption in excess of the quotas established by this subsection shall be refunded by the Philippine Government.

[(e) Upon the expiration of the Act of June 14, 1935 (49 Stat. 340), as extended to May 1, 1941, by proclamation of the President, dated January 26, 1938, the total amount of all Philippine cordage coming into the United States which may be entered or withdrawn from warehouse, for consumption during the remainder of the calendar year 1941, shall not exceed four million pounds and in any calendar year after 1941 shall not exceed six million pounds: *Provided, however,* That for the period January 1, 1946, through July 3, 1946, the total amount of Philippine cordage which may be entered, or withdrawn from warehouse, for consumption shall not exceed three million pounds.

[(f) (1) The quotas for sugars established by subsection (d) of this section shall be allocated annually as prescribed in section 6 (d) of the Act of March 24, 1934 (48 Stat. 456), which section in this respect is not repealed by this amendatory Act.

[(2) The quotas for cordage, established by subsection (e) of this section, and by the Act of June 14, 1935, shall be allocated by authorities of the Philippine Government among the manufacturers of such commodities proportionately upon the basis of the shipment of each such manufacturer to the United States during the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines.

[(3) The quotas for all articles for which quotas are established by this section, except sugars and cordage, shall in each instance be allocated by authorities of the Philippine Government among the manufacturers whose products were shipped to the United States during the calendar year 1937, on the basis of the proportion which each manufacturer's maximum production shipped to the United States, directly or through other persons, in any calendar year during the five-year period, 1933 through 1937, bears to the total of such maximum shipments of all such manufacturers.

[(4) If, after the first nine months of any quota year, the holder of any allotment under any of the quotas established by this Act or by the Act of June 14, 1935, is or will be unable for any reason to ship to the United States by the end of the quota year the total amount of his allocation for that year, the Philippine Government shall apportion that amount of such allocation which it is established by sufficient evidence cannot be shipped to the United States during the remainder of the quota year in such manner and in accordance with such rules and regulations as it may prescribe.]

(g) (1) The Philippine Government shall pay to the Secretary of the Treasury of the United States, at the end of each calendar quarter, all of the moneys received during such quarter from export taxes (less refunds), imposed and collected in accordance with the provisions of this section, and said moneys shall be deposited in an account with the Treasurer of the United States and shall constitute a supplementary sinking fund for the payment of bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress: *Provided, however,* That moneys received from any export tax imposed on any article which is shipped from the Philippines to the United States prior to

July 4, 1946, and which is entered, or withdrawn from warehouses for consumption, on or after July 4, 1946, shall be refunded by the independent Government of the Philippines.

(2) The said Secretary of the Treasury is authorized to accept the deposits of the proceeds of the export taxes referred to in subdivision (1) of this subsection in accordance with the Act of June 11, 1934 (48 Stat. 929).

(3) The Secretary of the Treasury of the United States, with the approval of the Philippine Government, is authorized to purchase with such supplementary sinking-fund bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress and to invest such fund in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. Whenever the Secretary of the Treasurer finds that such fund is in excess of an amount adequate to meet future interest and principal payments on all such bonds, he may, with the approval of the Philippine Government, purchase with such excess any other bonds of the Philippines, its Provinces, cities, municipalities, and instrumentalities. For the purpose of this subsection obligations may be acquired on original issue at par, or by purchase of outstanding obligations at the market price. Any obligations acquired by the fund may, with the approval of the Philippine Government, be sold by the Secretary of the Treasury at the market price and the proceeds of such sale and the proceeds of the payment upon maturity or redemption of any obligations held in the supplementary sinking fund, as well as all moneys in any manner earned by such fund or on any obligations acquired by said fund, shall be paid into the said fund.

(4) During the three months preceding July 4, 1946, the Philippine Government and the Secretary of the Treasury of the United States shall confer to ascertain that portion of the bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress, which will remain outstanding on July 4, 1946; and the Philippine Government shall turn over to the Secretary of the Treasury of the United States for destruction all such bonds that are then held, canceled, or uncanceled, in any of the sinking funds maintained for the payment of such bonds. After such outstanding portion of this indebtedness is thus determined, and before July 4, 1946, (i) there shall be set up with the Treasurer of the United States a special trust account in the name of the Secretary of the Treasury of the United States to pay future interest and principal payments on such bonds; (ii) the Philippine Government shall pay to the Secretary of the Treasury of the United States for deposit in this special trust account all of the sinking funds maintained for the payment of such bonds; and (iii) the Secretary of the Treasury of the United States shall transfer into this special trust account all of the proceeds of the supplementary sinking fund referred to in subdivision (1) of this subsection. Any portion of such special trust account found by the Secretary of the Treasury of the United States on July 4, 1946, to be in excess of an amount adequate to meet future interest and principal payments on all such outstanding bonds shall be turned over to the Treasury of the independent Government of the Philippines to be set up as an additional sinking fund to be used for the purpose of liquidating and paying all other obligations of the Philippines, its Provinces, cities, municipalities, and instrumentalities. To the extent that such special trust account is determined by the Secretary of the Treasury of the United States to be insufficient to pay interest and principal on the outstanding bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress, the Philippine Government shall, on or before July 3, 1946, pay to the Secretary of the Treasury of the United States for deposit in such special trust account an amount which said Secretary of the Treasury determines is required to assure payment of principal and interest on such bonds: *Provided, however,* That if the Secretary of the Treasury of the United States finds that this requirement would impose an undue hardship upon the Philippines, then the Philippine Government shall continue to provide annually the necessary funds for the payment of interest and principal on such bonds until such time as the Secretary of the Treasury of the United States determines that the amount in the special trust account is adequate to meet interest and principal payments on such bonds.

(5) On and after July 4, 1946, the Secretary of the Treasury of the United States is authorized, with the approval of the independent Government of the Philippines, to purchase at the market price for the special trust account bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress. The Secretary of the Treasury of the United States is also authorized, with the approval of the independent Govern-

ment of the Philippines, to invest all or any part of such special trust account in any interest-bearing obligations of the United States or in any obligations guaranteed as to both principal and interest by the United States. Such obligations may be acquired on original issue at par or by purchase of outstanding obligations at the market price, and any obligations acquired by the special trust account may, with the approval of the independent Government of the Philippines, be sold by the Secretary of the Treasury at the market price and the proceeds of the payment upon maturity or redemption of such obligations shall be held as a part of such special trust account. Whenever the special trust account is determined by the Secretary of the Treasury of the United States to be adequate to meet interest and principal payments on all outstanding bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress, the Secretary of the Treasury is authorized to pay from such trust account the principal of such outstanding bonds and to pay all interest due and owing on such bonds. All such bonds and interest coupons paid or purchased by the special trust account shall be canceled and destroyed by the Secretary of the Treasury of the United States. From time to time after July 4, 1946, any moneys in such special trust account found by the Secretary of the Treasury of the United States to be in excess of an amount adequate to meet interest and principal payments on all such bonds shall be turned over to the treasurer of the independent Government of the Philippines.

[(h) No article shipped from the Philippines to the United States on or after January 1, 1941, subject to an export tax provided for in this section, shall be admitted to entry in the United States until the importer of such article shall present to the United States collector of customs a certificate, signed by a competent authority of the Philippine Government, setting forth the value and quantity of the article and the rate and amount of the export tax paid, or shall give a bond for the production of such certificate within six months from the date of entry.]

* * * * * * *

TARIFF DUTIES AFTER INDEPENDENCE

SEC. 13. [After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries:]

There shall promptly be held a conference of representatives of the Government of the United States and the Government of the Commonwealth of the Philippines, such representatives on the part of the Government of the United States to consist of three United States Senators appointed by the President of the Senate, three Members of the House of Representatives appointed by the Speaker of the House, and three persons appointed by the President of the United States, and on the part of the Philippines to consist of nine representatives to be appointed by the President of the Commonwealth of the Philippines; each appointee shall serve at the pleasure of his appropriate appointing authority; the said Commission to be known as the Filipino Rehabilitation Commission, subject to the following conditions and with the following powers and duties:

(a) The members of the Commission shall be appointed not later than fifteen days after the passage of this Act. Within ten days thereafter the ranking member of the Senate appointees and the ranking member of the Filipino appointees shall jointly call a meeting of the Commission to be held in the Capitol of the United States for the purpose of organization. In case of death or resignation of a member, such vacancy shall be filled by the original appointing power.

(b) The Commission shall investigate all matters affecting postwar economy, trade, finance, economic stability, and rehabilitation of the Philippine Islands, including the matter of damages to public and private property and to persons occasioned by enemy attack and occupation.

(c) To formulate recommendations based upon such investigations and for future trade relations between the United States and the independent Philippine Republic when established and to consider the extension of the present or heretofore agreed upon trade relations or otherwise for a period of years to make adjustments for the period of occupancy by the Japanese in order to reestablish trade relations as provided for in the original Independence Act.

(d) The Commission is authorized to employ expert legal and clerical assistance, to establish offices in the Philippine Islands and in the United States, and to make rules and regulations for the transaction of its business pertinent to the provisions of this Act.

(e) The Commission shall make annual reports to the President of the United States and to the Congress, and to the President and the Congress of the Philippines, and more frequently if so desired, and make such recommendations from time to time as it deems necessary to carry out the purposes and intents of this Act.

(f) The Commission is authorized to fix the salary of all necessary expert and clerical assistance, to provide for travel and other expenses incident to its labor, and to do all other things pertinent to this Act. The annual compensation of the United States members of this Commission, other than those holding official positions under the United States Government, shall be on a per diem basis at the rate of $10,000 per annum. The compensation of the Philippine members of the Commission shall be determined by the Government of the Philippine Commonwealth. The United States, as herein provided, shall compensate the members of the Commission who represent it, and the Commonwealth of the Philippines, or the Filipino Republic, as the case may be, shall compensate the members of the Commission appointed by it or them. Otherwise, the expenses of the Commission shall be equally borne by the United States and the Commonwealth of the Philippines, or the Filipino Republic, as the case may be.

O

Union Calendar No. 533

79TH CONGRESS
2D SESSION

H. R. 5856

[Report No. 1821]

IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1946

Mr. BELL introduced the following bill; which was referred to the Committee on Ways and Means

MARCH 26, 1946

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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A BILL

To provide for trade relations between the United States and the Philippines, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE AND DEFINITIONS

SECTION 1. SHORT TITLE.

This Act may be cited as the "Philippine Trade Act of 1946".

SEC. 2. DEFINITIONS.

(a) For the purposes of this Act—

(1) The term "person" includes partnerships, corporations, and associations.

(2) The term "United States", when used in a

geographical sense, means the States, the District of Columbia, the Territories of Alaska and Hawaii, and Puerto Rico.

(3) The term "ordinary customs duty" means a customs duty based on the article as such (whether or not such duty is also based in any manner on the use, value, or method of production of the article, or on the amount of like articles imported, or on any other factor); but does not include—

(A) a customs duty based on an act or omission of any person with respect to the importation of the article, or of the country from which the article is exported, or from which it comes; or

(B) a countervailing duty imposed to offset a subsidy, bounty, or grant; or

(C) an anti-dumping duty imposed to offset the selling of merchandise for exportation at a price less than the prevailing price in the country of export; or

(D) any tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws; or

(E) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; or the tax imposed by section 3500 of the Internal Revenue Code.

(4) The term "Philippine article" means an article which is the product of the Philippines, unless, in the case of an article produced with the use of materials imported into the Philippines from any foreign country (except the United States) the aggregate value of such imported materials at the time of importation into the Philippines was more than twenty per centum of the value of the article imported into the United States, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the United States in effect at the time of importation of such article. As used in this paragraph the term "value", when used in reference to a material imported into the Philippines, includes the value of the material ascertained under the customs laws of the Philippines in effect at the time of importation into the Philippines,

and, if not included in such value, the cost of bringing the material to the Philippines, but does not include the cost of landing it at the port of importation, or customs duties collected in the Philippines. For the purposes of this paragraph any imported material, used in the production of an article in the Philippines, shall be considered as having been used in the production of an article subsequently produced in the Philippines, which is the product of a chain of production in the Philippines in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(5) The term "United States article" means an article which is the product of the United States, unless, in the case of an article produced with the use of materials imported into the United States from any foreign country (except the Philippines) the aggregate value of such imported materials at the time of importation into the United States was more than twenty per centum of the value of the article imported into the Philippines, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the Philippines in effect at the time of importation of such article. As used in this paragraph

the term "value", when used in reference to a material imported into the United States, includes the value of the material ascertained under the customs laws of the United States in effect at the time of importation into the United States, and, if not included in such value, the cost of bringing the material to the United States, but does not include the cost of landing it at the port of importation, or customs duties collected in the United States. For the purposes of this paragraph any imported material, used in the production of an article in the United States, shall be considered as having been used in the production of an article subsequently produced in the United States, which is the product of a chain of production in the United States in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(6) The term "United States duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the United States for consumption, of the Philippine article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest

rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(7) The term "Philippine duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the Philippines for consumption, of the United States article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(8) The term "internal tax" includes an internal fee, charge, or exaction, and includes—

(A) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; and the tax imposed by section 3500 of the Internal Revenue Code; and

(B) any other tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains

a provision to the effect that it shall be treated as a duty imposed under the customs laws.

(b) For the purposes of sections 221 (b) and 321 (b), any material, used in the production of an article, shall be considered as having been used in the production of an article subsequently produced, which is the product of a chain of production in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(c) For the purposes of paragraphs (6) and (7) of subsection (a) of this section—

(1) if an article is entitled to be imported from a foreign country free of ordinary customs duty, that country shall be considered as the country entitled to the lowest rate of ordinary customs duty with respect to such article; and

(2) a reduction in ordinary customs duty granted any country, by law, treaty, trade agreement, or otherwise, with respect to any article, shall be converted into the equivalent reduction in the rate of ordinary customs duty otherwise applicable to such article.

(d) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to

exclude other things otherwise within the meaning of the term defined.

TITLE II—LAWS AND PROPOSED OBLIGATIONS OF UNITED STATES

Part 1—Customs Duties

SEC. 201. FREE ENTRY OF PHILIPPINE ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, Philippine articles entered, or withdrawn from warehouse, in the United States for consumption shall be admitted into the United States free of ordinary customs duty.

SEC. 202. ORDINARY CUSTOMS DUTIES ON PHILIPPINE ARTICLES.

(a) JULY 4, 1954–JULY 3, 1974.—The ordinary customs duty to be collected on Philippine articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined by applying the following percentages of the United States duty:

(1) JULY 4, TO DECEMBER 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) CALENDAR YEAR 1955.—During the calendar year 1955, 10 per centum.

(3) CALENDAR YEARS 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the United States duty.

(4) PERCENTAGE AFTER 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(5) EXCEPTIONS TO ABOVE RULES.—The provisions of this subsection shall not be applicable to the classes of articles referred to in section 214 (a) of Part 2 of this title (relating to quotas).

(b) PERIOD AFTER JULY 3, 1974.—The ordinary customs duty to be collected on Philippine articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined without regard to the provisions of subsection (a) of this section or of section 214.

SEC. 203. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on Philippine articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 201 and 202 (a), but shall be subject to the provisions of section 204.

SEC. 204. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to Philippine articles imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 205. EQUALITY IN DUTIES ON PRODUCTS OF PHILIPPINES.

(a) With respect to products of the Philippines, which do not come within the definition of Philippine articles, imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country (except Cuba), or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country (except Cuba).

(b) As used in this section the term "duty" includes

taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 2—Quotas

SEC. 211. ABSOLUTE QUOTA ON SUGARS.

(a) Definition of Philippine Sugars.—For the purpose of this section, an article shall not be considered "Philippine sugars" unless it is a Philippine article.

(b) Definition of Refined Sugars.—As used in this section the term "refined sugars" has the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(c) Amount of Quota.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine sugars which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 850,000 short tons, of which not to exceed 50,000 short tons may be refined sugars; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 425,000 short tons, of which not to exceed 25,000 short tons may be refined sugars.

(d) Allocation of Quotas for Unrefined Sugars.—The quota for unrefined sugars, including that required to manufacture the refined sugars, established by this section, shall be allocated annually to the sugar-producing

mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932, and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them, or any extension, modification, or renewal thereof.

(e) Allocation of Quotas for Refined Sugars.—The quota for refined sugars established by this section shall be allocated annually to the manufacturers of refined sugars in the Philippines in the calendar year 1940 whose refined sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of refined sugars produced by each such manufacturer (or in the case of such successor in interest, the amount of refined sugars produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 212. ABSOLUTE QUOTA ON CORDAGE.

(a) DEFINITION OF "CORDAGE".—As used in this section the term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930, as amended), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber.

(b) DEFINITION OF "PHILIPPINE CORDAGE".—For the purpose of this section, an article shall not be considered "Philippine cordage" unless it is a product of the Philippines.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine cordage which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 6,000,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 3,000,000 pounds.

(d) ALLOCATION OF QUOTAS.—The quota for cordage established by this section shall be allocated annually to the manufacturers of cordage in the Philippines in the calendar year 1940 whose cordage was exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of cordage

produced by each such manufacturer (or in the case of such successor in interest, the amount of the cordage produced by his predecessor in interest) which was exported to the United States during the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines.

SEC. 213. ABSOLUTE QUOTA ON RICE.

(a) DEFINITION OF RICE.—As used in this section the term "rice" includes rice meal, flour, polish, and bran.

(b) DEFINITION OF PHILIPPINE RICE.—For the purposes of this section, an article shall not be considered "Philippine rice" unless it is a Philippine article.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine rice which, in any calendar year may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 1,040,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 520,000 pounds.

SEC. 214. ABSOLUTE AND DUTY-FREE QUOTAS ON CERTAIN ARTICLES.

(a) ABSOLUTE QUOTAS.—

AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of the following articles which

are Philippine articles, and which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed the amounts specified as to each:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), two hundred million cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, six million five hundred thousand pounds;

(3) Coconut oil, two hundred thousand long tons; and

(4) Buttons of pearl or shell, eight hundred and fifty thousand gross.

During the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed one-half of the amount above specified with respect to each class of articles, respectively.

(b) Duty-Free Quotas.—

(1) In general.—Philippine articles falling within one of the classes specified in subsection (a) of this section, which during the period from January 1, 1946, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for

consumption, shall be free of ordinary customs duty, in the quantities and for the periods set forth in the following table:

PERIODS [Calendar Year]	AMOUNT OF DUTY-FREE QUOTAS			
	Cigars Referred to in subsection (a) (1) [Number]	Tobacco Referred to in subsection (a) (2) [Pounds]	Coconut Oil [Long Tons]	Buttons of Pearl or Shell [Gross]
Each of Calendar Years 1946–1954	200, 000, 000	6, 500, 000	200, 000	850, 000
1955	190, 000, 000	6, 175, 000	190, 000	807, 500
1956	180, 000, 000	5, 850, 000	180, 000	765, 000
1957	170, 000, 000	5, 525, 000	170, 000	722, 500
1958	160, 000, 000	5, 200, 000	160, 000	680, 000
1959	150, 000, 000	4, 875, 000	150, 000	637, 500
1960	140, 000, 000	4, 550, 000	140, 000	595, 000
1961	130, 000, 000	4, 225, 000	130, 000	552, 500
1962	120, 000, 000	3, 900, 000	120, 000	510, 000
1963	110, 000, 000	3, 575, 000	110, 000	467, 500
1964	100, 000, 000	3, 250, 000	100, 000	425, 000
1965	90, 000, 000	2, 925, 000	90, 000	382, 500
1966	80, 000, 000	2, 600, 000	80, 000	340, 000
1967	70, 000, 000	2, 275, 000	70, 000	297, 500
1968	60, 000, 000	1, 950, 000	60, 000	255, 000
1969	50, 000, 000	1, 625, 000	50, 000	212, 500
1970	40, 000, 000	1, 300, 000	40, 000	170, 000
1971	30, 000, 000	975, 000	30, 000	127, 500
1972	20, 000, 000	650, 000	20, 000	85, 000
1973	10, 000, 000	325, 000	10, 000	42, 500
1974	0	0	0	0

(2) DUTY ON IMPORTS IN EXCESS OF DUTY-FREE QUOTA.—Any such Philippine article so entered or withdrawn from warehouse in excess of the duty-free quota provided in paragraph (1) shall be subject to 100 per centum of the United States duty, despite the provisions of section 202 of this title (which provides rates of less

than 100 per centum of the United States duty with respect to Philippine articles). Nothing in this subsection shall be construed as enlarging the absolute quotas provided in subsection (a) of this section.

(c) ALLOCATION OF QUOTAS.—Each of the quotas established by this section shall be allocated annually to the manufacturers in the Philippines in the calendar year 1940 of products of a class for which such quota is established, and whose products of such class were exported to the United States during such year, or their successors in interest, proportionately on the basis of the amount of the products of such class produced by each such manufacturer (or in the case of such successor in interest, the amount of the products of such class produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 215. LAWS PUTTING INTO EFFECT ALLOCATIONS OF QUOTAS.

The necessary laws and regulations for putting into effect the allocation of quotas on the basis provided for in sections 211, 212, and 214, respectively, shall not be enacted by the United States, it being the purpose of this title that such laws and regulations shall be enacted by the Philippines.

SEC. 216. TRANSFERS AND ASSIGNMENTS OF QUOTA ALLOTMENTS.

The holder of any allotment under existing law, including his successor in interest, and the holder of any allotment under any of the quotas established by sections 211, 212, or 214, may transfer or assign all or any amount of such allotment on such terms as may be agreeable to the parties in interest. If, after the first nine months of any calendar year, the holder of any allotment, for that year, under any of the quotas established by such sections, is or will be unable for any reason to export to the United States all of his allotment, in time to fulfill the quota for that year, that amount of such allotment which it is established by sufficient evidence cannot be so exported during the remainder of the calendar year may be apportioned by the Philippine Government to other holders of allotments under the same quota, or in such other manner as will insure the fulfillment of the quota for that year: *Provided,* That no transfer or assignment or reallocation under the provisions of this section shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

Part 3—Internal Taxes

SEC. 221. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the Philippines coming into the United States, or with respect

to articles manufactured in the United States wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the United States, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the United States, or (2) with respect to materials used in the production of a like article which is the product of the United States, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the Philippines is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

(c) This section shall not apply to the taxes imposed

under section 2306, 2327, or 2356 of the Internal Revenue Code.

SEC. 222. EXEMPTION FROM TAX OF MANILA FIBER.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 223. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the United States on articles exported to the Philippines.

SEC. 224. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to articles coming into the United States for the official use of the Philippine Government or any department or agency thereof.

SEC. 225. APPLICATION TO PUERTO RICO.

Section 9 of the Act of March 2, 1917 (39 Stat. 951, ch. 145) is amended to read as follows:

"SEC. 9. That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal revenue laws other than those contained in the Philippine Trade Act of 1946: *Provided, however,* That hereafter all taxes collected under the internal revenue laws of the United

States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico."

Part 4—Immigration

SEC. 231. CERTAIN PHILIPPINE CITIZENS GRANTED NON-QUOTA STATUS.

(a) Any citizen of the Philippines who actually resided in the United States for a continuous period of three years immediately prior to November 30, 1941, if entering the United States during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the United States, shall, for the purposes of the immigration laws, be considered a non-quota immigrant; and shall not be excluded from entry into the United States by reason of section 13 (c) of the Immigration Act of 1924, or by reason of so much of section 3 of the Immigration Act of 1917 as provides for the exclusion from admission into the United States of natives of a therein specified geographical area.

(b) After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the United States for permanent residence.

(c) The benefits of this section shall also apply to his wife, if a citizen of the Philippines or eligible to United

States citizenship, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

(d) This section shall not apply to a citizen of the Philippines admitted to the Territory of Hawaii, without an immigration or passport visa, under the provisions of paragraph (1) of section 8 (a) of the Act of March 24, 1934 (48 Stat. 456, ch. 84).

TITLE III—OBLIGATIONS OF PHILIPPINES

Part 1—Purposes of Title

SEC. 301. STATEMENT OF PURPOSES OF TITLE.

(a) PERIOD UNTIL JULY 4, 1946.—The following Parts and sections of this title, insofar as they are applicable to the period from the date of the enactment of this Act to July 3, 1946, both dates inclusive, are intended to, and shall, operate as statutes of the United States, binding on one of its possessions.

(b) PERIOD JULY 4, 1946–JULY 3, 1974.—The following Parts and sections of this title, although expressed in statutory form, are not in any manner intended, insofar as they are applicable to the period after July 3, 1946, as an attempt on the part of the Congress of the United States to legislate for the Republic of the Philippines as a sovereign nation, but constitute a statement in precise terms of provisions—

(1) which the Government of the Philippines, on the taking effect of the executive agreement provided for in Title IV of this Act, will be obligated to observe and execute as the law of the Republic of the Philippines during the effectiveness of the agreement; except that the observance of such part of the provisions of section 341 as is in conflict with the Constitution of the Philippines will not be required under such agreement for the period prior to the amendment to the constitution referred to in section 402 (b); and

(2) which, between the proclamation of the independence of the Philippines and the date of the taking effect of such executive agreement, will, according to the policy and expectations of the Congress of the United States, be observed and executed by the Government of the Philippines.

Part 2—Customs Duties

SEC. 311. FREE ENTRY OF UNITED STATES ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, United States articles entered, or withdrawn from warehouse, in the Philippines for consumption shall be admitted into the Philippines free of ordinary customs duty.

SEC. 312. ORDINARY CUSTOMS DUTIES ON UNITED STATES ARTICLES.

(a) JULY 4, 1954–JULY 3, 1974.—The ordinary customs duty to be collected on United States articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined by applying the following percentages of the Philippine duty:

(1) JULY 4, TO DECEMBER 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) CALENDAR YEAR 1955.—During the calendar year 1955, 10 per centum.

(3) CALENDAR YEARS 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the Philippine duty.

(4) PERCENTAGE AFTER 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(b) PERIOD AFTER JULY 3, 1974.—The ordinary customs duty to be collected on United States articles which after July 3, 1974, are entered, or withdrawn from ware-

house, in the Philippines for consumption, shall be determined without regard to the provisions of subsection (a) of this section.

SEC. 313. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on United States articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 311 and 312 (a), but shall be subject to the provisions of section 314.

SEC. 314. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to United States articles imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 315. EQUALITY IN DUTIES ON PRODUCTS OF UNITED STATES.

(a) With respect to products of the United States, which do not come within the definition of United States

articles, imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 3—Internal Taxes

SEC. 321. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the United States coming into the Philippines, or with respect to articles manufactured in the Philippines wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the Philippines, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which

are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the Philippines, or (2) with respect to materials used in the production of a like article which is the product of the Philippines, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the United States is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

SEC. 322. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the Philippines on articles exported to the United States.

SEC. 323. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the Philippines with respect to articles coming into the Philippines for the official use of the United States Government or any department or agency thereof.

Part 4—Immigration

SEC. 331. CERTAIN UNITED STATES CITIZENS GIVEN NON-QUOTA STATUS.

Any citizen of the United States who actually resided in the Philippines for a continuous period of three years immediately prior to November 30, 1941, if entering the Philippines during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the Philippines, shall, for the purposes of the immigration laws, be considered a non-quota immigrant. After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the Philippines for permanent residence. The benefits of this section shall also apply to his wife, if a citizen of the United States, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

SEC. 332. IMMIGRATION OF UNITED STATES CITIZENS INTO THE PHILIPPINES.

Citizens of the United States, admissible to the Philippines under the provisions required by section 402 (e) to be included as a part of the executive agreement made under Title IV, shall be entitled to enter the Philippines, in the numbers and during the periods of years, and to

remain therein for the time, specified in that part of the agreement which embodies the provisions of section 402 (e).

Part 5—Miscellaneous

SEC. 341. RIGHTS OF UNITED STATES CITIZENS AND BUSINESS ENTERPRISES IN NATURAL RESOURCES

The disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities, shall, if open to any person, be open to citizens of the United States and to all forms of business enterprise owned or controlled, directly or indirectly, by United States citizens.

SEC. 342. CURRENCY STABILIZATION.

The value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 343. ALLOCATION OF QUOTAS.

The allocation, reallocation, transfer, and assignment of quotas established by sections 211, 212, and 214, respectively,

of Part 2 of Title II, shall be on the basis provided for in such Part.

TITLE IV—EXECUTIVE AGREEMENT BETWEEN UNITED STATES AND PHILIPPINES

SEC. 401. AUTHORIZATION OF AGREEMENT.

The President of the United States is authorized (except as hereinafter in this title otherwise provided) to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of the provisions of Title II and of Title III (except Part 1) of this Act. The President of the United States is not authorized by this section to enter into such agreement unless it contains a provision that it shall not take effect—

(a) Unless and until the Congress of the Philippines accepts it by law; and

(b) Unless and until the Congress of the Philippines (in the act of acceptance, or separately) has enacted such legislation as may be necessary to make all the provisions of Parts 2, 3, 4, and 5 of Title III take effect as laws of the Philippines, except (during the period prior to the amendment to the Constitution of the Philippines referred to in subsection (b) of section 402) such provisions of section 341 as are in conflict with such constitution.

SEC. 402. OBLIGATIONS OF PHILIPPINES.

The President of the United States is not authorized by

section 401 to enter into such executive agreement unless in the agreement the Government of the Philippines agrees—

(a) That the Republic of the Philippines will continue in effect as laws of the Philippines, during the effectiveness of the agreement, the provisions of Parts 2, 3, 4, and 5 of Title III, except (for the period prior to the amendment of the Constitution of the Philippines referred to in subsection (b) of this section) such part of the provisions of section 341 as is in conflict with such constitution.

(b) That the Government of the Philippines will promptly take such steps as are necessary to secure the amendment of the Constitution of the Philippines so as to permit the taking effect as laws of the Philippines of such part of the provisions of section 341 as is in conflict with such constitution before such amendment.

(c) That the Republic of the Philippines will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary—

(1) to supplement the legislation referred to in section 401 (b), and to implement the provisions of Parts 2, 3, 4, and 5 of Title III; and

(2) to put and keep in effect during the effectiveness of the agreement, the allocation, reallocation, transfer, and assignment of quotas on the basis provided for in Part 2 of Title II.

(d) That the United States shall have the right to provide the basis for the allocation of the quotas established under that portion of the agreement which sets forth the provisions of section 403 (c) of this Act, and that, if the United States exercises such right, the Republic of the Philippines will promptly enact, and keep in force during the period for which each such quota is established, such legislation as is necessary to put and keep in effect, on the basis provided by the United States, the allocation of such quotas.

(e) That there shall be permitted to enter the Philippines, without regard to any numerical limitations under the laws of the Philippines, in each of the years of a specified period of years, of a specified number of citizens of the United States. The number of years (which shall not be less than five) the number of citizens of the United States (which shall not be less than one thousand) entitled to be so admitted in each year, and the length of time each shall be entitled to remain in the Philippines, shall be stated in the agreement.

(f) That the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds

from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 403. OBLIGATIONS OF UNITED STATES.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in such agreement the Government of the United States agrees—

(a) That upon the taking effect of the agreement the provisions of Title II—

(1) if in effect as laws of the United States at the time the agreement takes effect, shall continue in effect as laws of the United States during the effectiveness of the agreement; or

(2) if not so in effect at the time the agreement takes effect (because suspended under section 502 of Title V) shall take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

(b) That the United States will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary to supplement and implement the provisions of Title II so continued in effect, or so made to take effect, as laws of the United States.

(c) That with respect to quotas on Philippine articles (other than the quotas established in Part 2 of Title II, and

other than quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles), the United States will not establish any such quota for any period before January 1, 1948; and that, for any part of the period from January 1, 1948, to July 3, 1974, both dates inclusive, it will establish a quota with respect to any Philippine articles only if—

(1) the President of the United States, after investigation, finds that such Philippine articles are coming, or are likely to come, into substantial competition with like articles the product of the United States; and

(2) the quota established for any Philippine article for any twelve-month period is not less than the amount determined by the President as the total amount of Philippine articles of such class which (during the twelve months ended on the last day of the month preceding the month in which occurs the date proclaimed by the President as the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption; or, if the quota is established for any period other than a twelve-month period, is not less than a proportionate amount.

(d) That during the effectiveness of the agreement the United States will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue

Code (relating to processing taxes on coconut oil, etc.) with respect to articles "wholly the production of the Philippine Islands" or articles "produced wholly from materials the growth or production of the Philippine Islands"; except that it may suspend the provisions of subsection (a) (2) of such section during any period as to which the President of the United States, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States.

SEC. 404. TERMINATION OF AGREEMENT.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides—

(a) TERMINATION IN GENERAL.—That the agreement shall have no effect after July 3, 1974; and

(b) TERMINATION BY EITHER PARTY.—

(1) that the agreement may be terminated by either party at any time, upon not less than five years' notice; and

(2) that if the President of the United States or the President of the Philippines determines and proclaims that the other country has adopted or applied measures or practices which would operate to nullify or impair any right or obligation provided for in such

agreement, then the agreement may be terminated upon not less than six months' notice; and

(c) TERMINATION OR SUSPENSION BY THE UNITED STATES.—

(1) that if the President of the United States determines that a reasonable time for the making of the amendment to the Constitution of the Philippines referred to in section 402. (b) has elapsed, but that such amendment has not been made, he shall so proclaim and the executive agreement shall have no effect after the date of such proclamation; and

(2) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, then the United States shall have the right to suspend the effectiveness of the whole or any portion of the agreement; and

(3) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the discrimination which was the basis for the suspension under paragraph (2) of this subsection—

(A) has ceased, the suspension effected under paragraph (2) shall end; or

(B) has not ceased after the lapse of a time determined by the President of the United States to be reasonable, then the United States shall have the right to terminate the agreement upon not less than six months' notice.

SEC. 405. EFFECT OF TERMINATION OF AGREEMENT.

Upon the termination of the agreement as provided in section 404, the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 406. INTERPRETATION OF AGREEMENT.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides that the acceptance of the provisions of Titles II and III is on the understanding that the definitions, and provisions in the nature of definitions, contained in section 2 of Title I, shall apply in the interpretation of the provisions so accepted.

SEC. 407. TERMINATION OF AUTHORITY TO MAKE AGREEMENT.

Whenever the President of the United States determines that a reasonable time for the entering into, acceptance and taking effect, of the executive agreement has elapsed, but that such agreement has not taken effect, he shall so proclaim, and

thereupon his authority to enter into such executive agreement shall terminate, and the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 408. EFFECTIVE DATE OF AGREEMENT.

When the President of the United States determines that the executive agreement entered into under section 401 has been accepted by the Congress of the Philippines by law and that the Congress of the Philippines has enacted the legislation the enactment of which is, under section 401, a condition precedent to the taking effect of the agreement, he shall so proclaim, and in his proclamation specify the effective date of the agreement.

TITLE V—MISCELLANEOUS

SEC. 501. SUSPENSION AND TERMINATION OF AGREEMENT IN CASE OF DISCRIMINATION.

(a) SUSPENSION.—If the President of the United States determines, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, he shall so proclaim, and thereupon the effectiveness of the agreement, or such part thereof as he may in the proclamation specify as necessary in order adequately

to protect the interests of the United States, shall be suspended.

(b) TERMINATION OF SUSPENSION.—If the President of the United States, after consultation with the President of the Philippines, determines that the discrimination which was the basis for the suspension under subsection (a) of this section has ceased, he shall so proclaim, and thereupon the suspension effected under subsection (a) shall end.

(c) TERMINATION OF AGREEMENT.—If the President of the United States, after consultation with the President of the Philippines, determines that such discrimination has not ceased, after the lapse of a time determined by him to be reasonable, he shall so proclaim and give to the Philippine Government notice of the intention of the United States to terminate the agreement.

(d) LAWS OF THE UNITED STATES.—

(1) IN CASE OF SUSPENSION.—If the effectiveness of the agreement is suspended under subsection (a) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States during the period of the suspension. If the suspension is of the effectiveness of only part of the agreement, then such provisions of Title II as the President may in his proclamation under subsection (a) specify as

necessary adequately to protect the interests of the United States, shall cease to have effect as laws of the United States during the period of this suspension.

(2) In case of termination.—If the agreement is terminated under subsection (c) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States.

SEC. 502. SUSPENSION OF TITLE II.

If the President finds that, during the period after July 3, 1946, and before the taking effect of the executive agreement provided for in Title IV, the Government of the Philippines is not putting into effect, or making every effort to put into effect, to the fullest extent possible under its Constitution, the provisions of Title III of this Act, or is not providing for the allocation of quotas on the basis provided in section 211, 212, or 214, respectively, he shall so proclaim. On the day following the date of such proclamation, such provisions of Title II shall be suspended as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States. Such suspension shall continue until the taking effect of the executive agreement provided for in Title IV, whereupon the suspension shall terminate and the suspended provisions shall again take effect and continue in effect as laws

of the United States during the effectiveness of the agreement.

SEC. 503. CUSTOMS DUTIES ON IMPORTATIONS FROM PHILIPPINES.

Articles coming or imported into the United States from the Philippines, and Philippine products coming or imported into the United States, shall, except as otherwise provided with respect to Philippine articles by Title II of this Act during the period such title is in effect—

(1) if entered, or withdrawn from warehouse, in the United States for consumption, during the period from the day after the date of the enactment of this Act to July 3, 1946, both dates inclusive, be subject to the same duties as like articles coming or imported into the United States from foreign countries, except Cuba; and

(2) if so entered or withdrawn during the period after July 3, 1946, be subject to the same duties as like articles coming or imported into the United States from other foreign countries, except Cuba.

SEC. 504. QUOTAS ON PHILIPPINE ARTICLES.

(a) ESTABLISHMENT BY PRESIDENT.—After the executive agreement referred to in Title IV has taken effect, then whenever the President of the United States, after the investigation by the United States Tariff Commission pro-

vided for in subsection (d), finds, with respect to any Philippine articles (other than those for which quotas are established by Part 2 of Title II), that they are coming, or likely to come, into substantial competition with like articles which are the product of the United States, he shall so proclaim, and in his proclamation shall establish the total amount of such Philippine articles which may in each of specified periods be entered, or withdrawn from warehouse, in the United States for consumption. If he finds that the allocation of any quota so established is necessary to make the application of the quota just and reasonable between the United States and the Philippines, he shall, in such proclamation or a subsequent proclamation, provide the basis for such allocation.

(b) Maximum and Minimum Quotas.—No quota shall be established under subsection (a), with respect to a Philippine article, which is greater than the smallest amount of such article which in each of such specified periods the President determines may be so entered or withdrawn from warehouse without coming into substantial competition with like articles which are the product of the United States; except that in no case shall the quota be less than the minimum amount provided in that portion of such executive agreement which sets forth the provisions of section 403 (c) (2) of this Act.

(c) DURATION OF QUOTAS.—Any quota established pursuant to this section shall become effective at such time as the President shall designate (but not before January 1, 1948), and shall continue in effect until the President, after investigation, finds and proclaims that the conditions which gave rise to the establishment of such quota no longer exist, but no such quota shall continue in effect after the termination of the executive agreement provided for in Title IV.

(d) INVESTIGATIONS BY TARIFF COMMISSION.—The United States Tariff Commission shall at the request of the President, upon resolution of either House of Congress or concurrent resolution of both Houses of Congress, upon its own motion, or when in its judgment there is good reason therefor, upon application of any interested party, make an investigation to ascertain (1) whether imports of a Philippine article (other than an article for which a quota is established by Part 2 of Title II) are coming, or are likely to come, into substantial competition with like articles which are the product of the United States; (2) what is the greatest amount of such article which may be entered, or withdrawn from warehouse, in the United States for consumption, without coming into substantial competition with like articles which are the product of the United States; and (3) the total amount of such article which (during the twelve months ended on the last day of the month preceding the month in which

occurs the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption. During the course of the investigation the Commission shall hold a public hearing, of which reasonable public notice shall be given and at which parties interested shall be afforded reasonable opportunity to be present, to produce evidence, and to be heard. The Commission shall give precedence to such investigations. The Commission shall report the results of its investigations to the President, and shall send copies of such report to each House of the Congress.

SEC. 505. PROCESSING TAX ON COCONUT OIL.

(a) EXEMPTION FOR PHILIPPINES.—Section 2470 (a) (2) of the Internal Revenue Code is amended by striking out the word "other" wherever it appears in clauses (A) and (B) thereof; and by inserting at the end of the paragraph a new sentence to read as follows: "The tax imposed by this paragraph shall not apply to any domestic processing after July 3, 1974."

(b) SUSPENSION OF SECTION 2470 (a) (2) OF INTERNAL REVENUE CODE.—Whenever the President, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for process-

ing in the United States, he shall so proclaim, and after the date of such proclamation the provisions of section 2470 (a) (2) of the Internal Revenue Code shall be suspended until the expiration of 30 days after he proclaims that, after consultation with the President of the Philippines, he has found that such adequate supplies are so readily available.

SEC. 506. TERMINATION OF PAYMENTS INTO PHILIPPINE TREASURY.

(a) Notwithstanding the provisions of section 4 of the Act of March 8, 1902 (32 Stat. 54, ch. 140), or of section 19 of the Act of March 24, 1934 (48 Stat. 456, ch. 84), as added to such Act by section 6 of the Act of August 7, 1939 (53 Stat. 1232, ch. 502), or of the Act of November 8, 1945 (59 Stat. 577, ch. 454), or of any other provision of law, the proceeds of any duties or taxes, collected subsequent to July 3, 1946, which but for the enactment of this Act would be required to be paid into the general funds of the Treasury of the Philippines or would be held in separate or special funds and paid into the Treasury of the Philippines, shall be covered into the general fund of the Treasury of the United States.

(b) Sections 2476 and 3343 of the Internal Revenue Code are repealed, effective July 4, 1946.

SEC. 507. SPECIAL EXCISE PROVISIONS RELATING TO THE PHILIPPINES REPEALED.

(a) Section 2800 (a) (4) of the Internal Revenue Code is amended by amending the heading to read:

"(4) Alcoholic Compounds from Puerto Rico and Virgin Islands.—";

and by amending subparagraph (B) to read as follows:

"(B) Virgin Islands.—For provisions relating to tax on alcoholic compounds from the Virgin Islands, see section 3350."

(b) Sections 3340, 3341, and 3342 of the Internal Revenue Code are repealed, effective July 4, 1946.

(c) Subchapter B of Chapter 28 of the Internal Revenue Code is amended as follows:

(1) By amending the heading of such subchapter to read as follows:

"SUBCHAPTER B—PROVISIONS OF SPECIAL APPLICATION TO THE VIRGIN ISLANDS AND PUERTO RICO"

(2) By striking out the heading:

"Part I—Philippine Islands"

(3) By renumbering Parts II and III of such subchapter as "Part I" and "Part II", respectively.

SEC. 508. TRADE AGREEMENTS WITH THE PHILIPPINES.

Until July 4, 1974, no trade agreement shall be made

with the Philippines under section 350, as amended, of the Tariff Act of 1930, unless, prior to such time, the President of the United States has made the proclamation provided for in section 407 of this Act, or the executive agreement provided for in Title IV of this Act has been terminated.

SEC. 509. RIGHTS OF THIRD COUNTRIES.

The benefits granted by this Act, and by the executive agreement provided for in Title IV, to the Philippines, Philippine articles or products, and Philippine citizens, shall not, by reason of any provision of any existing treaty or agreement with any third country, be extended to such country or its products, citizens, or subjects.

SEC. 510. ADMINISTRATION OF TITLE II.

(a) The provisions of Parts 1, 2, and 3 of Title II shall be administered as parts of the customs and internal revenue laws of the United States.

(b) The provisions of Part 4 of Title II shall be administered as a part of the immigration laws of the United States.

SEC. 511. REPEALS.

The following parts of Acts are repealed, effective on the day following the date of the enactment of this Act:

(1) section 301 of the Tariff Act of 1930;

(2) section 6 (except subsection (g)) of the Act

of March 24, 1934 (48 Stat. 456, ch. 84), as amended by the Act of August 7, 1939 (53 Stat. 1226, ch. 502); and

(3) so much of section 13 of such Act of March 24, 1934, as amended by the joint resolution of June 29, 1944 (58 Stat. 626, ch. 323), as reads as follows: "After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries:".

SEC. 512. EFFECTIVE DATE.

This Act shall take effect on the day after the date of its enactment, except Part 2 of Title II, which shall take effect as of January 1, 1946.

Union Calendar No. 533

79TH CONGRESS
2D SESSION

H. R. 5856

[Report No. 1821]

A BILL

To provide for trade relations between the United States and the Philippines, and for other purposes.

By Mr. BELL

MARCH 25, 1946

Referred to the Committee on Ways and Means

MARCH 26, 1946

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section

79th-2nd, No. 54

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued March 28, 1946, for actions of Wednesday, March 27, 1946)

(For staff of the Department only)

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HIGHLIGHTS: House passed second deficiency appropriation bill. House Rules Committee cleared Philippine trade bill. Senate debated minimum-wage bill, discussing Russell amendment to include farm labor in parity formula.

HOUSE

1. SECOND DEFICIENCY APPROPRIATION BILL. Passed with amendment this bill, H. R. 5890 (pp. 2726-43). No changes were made in the items of interest to this Department. For provisions relating to this Department see Digest 53.

2. PHILIPPINE TRADE. The Rules Committee reported a resolution for consideration of H. R. 5856, the Philippine trade bill (pp. 2745-6).

3. ECONOMY. Rep. Miller, Nebr., spoke in favor of economy in Government expenditures (pp. 2724-5).

4. MEAT SHORTAGE. Rep. Slaughter, Mo., stated that "at Kansas City less than 10 percent of the cattle are being slaughtered that were being slaughtered...last year ...when we are hearing about famine" (p. 2725).

5. FOOD SHORTAGE; SELECTIVE SERVICE. Rep. Ramey, Ohio, spoke in favor of deferment of farm labor to alleviate the food shortage (p. 2726).

6. COMMITTEE ASSIGNMENTS. Rep. Kelly, Ill., was elected to the Appropriations Committee; Rep. Gallagher, Minn., to the Civil Service Committee; and Rep. Klein, N. Y., to the Public Lands Committee (p. 2726).

7. AGRICULTURE IN GREECE. Rep. King, Calif., spoke in favor of rehabilitation of agriculture in Greece (pp. 2758-9).

8. FOREST RESEARCH. Received a resolution from the Racine, Wis., Lions Club favoring appropriations for a forest-research station in Wis. (p. 2767).

SENATE

9. ST. LAWRENCE WATERWAY. Sen. Capper, Kans., inserted a letter from a Pa. Mine Workers local opposing this project (p. 2692).

10. SURPLUS PROPERTY. Sen. O'Mahoney, Wyo., submitted an amendment which he intends to propose to S. 1757 to broaden the scope and raise the rank of veterans' preference under the Surplus Property Act (p. 2692).

11. EDUCATION. Sen. Hill, Ala., submitted an amendment which he intends to propose to S. 181, the Federal-aid-to-education bill (pp. 2692-3).

12. LABOR STANDARDS. Continued debate on S. 1349, the minimum-wage bill (pp. 2694-705, 2706-22). Debated an amendment by Sen. Russell, Ga., to include farm labor in the parity formula (similar to the Pace bill)(pp. 2708-22).

BILLS INTRODUCED

13. PLANT QUARANTINE. S. 1990, by Sen. Thomas, Okla., "to amend the Plant Quarantine Act approved August 20, 1912, as amended, by adding thereto a new section." To Agriculture and Forestry Committee. (p. 2692.)

14. EXHIBITS; TAXATION. H. R. 5900, by Rep. Brumbaugh, Pa., to exempt admissions to agricultural fairs from the admissions tax. To Ways and Means Committee.(p. 2767)

15. GI BILL OF RIGHTS. H. R. 5909 and 5910, to amend this measure. To World War Veterans' Legislation Committee. (p. 2767.)

16. WHEAT PENALTIES. H. R. 5914, by Rep. Rees, Kans., to provide for refund of wheat penalties paid on 1941 and 1942 crops. To Agriculture Committee.(p.2767.)

17. SURPLUS PROPERTY. H. J. Res. 329, to provide for discontinuance of surplus-property disposal for 30 days to protect veterans' interests, and H. Con. Res. 19, expressing the sense of Congress that this should be done. To Expenditures in the Executive Departments Committee. (p. 2767.) Remarks of author (pp. 2744-5).

ITEMS IN APPENDIX

18. PRICE CONTROL. Rep. Spence, Ky., inserted William Green's (AFofL) and Secretary Vinson's (Treasury Dept.) statements before the H. Banking and Currency Committee urging the extension of price control and the Stabilization Act (pp. A1784-7).

Extension of remarks of Rep. Reed, N.Y., opposing the continuation of price control and including a Wall Street Journal article on the subject (p.A1813)

19. HOUSING. Rep. Michener, Mich., inserted a Jackson (Mich.) Citizen-Patriot article criticizing OPA policies as hindering full production of building materials (p. A1785).

Rep. Thom, Ohio, inserted John Stelle's (American Legion) letter urging support of the Wyatt housing plan (p. A1813).

20. RECLAMATION. Sen. O'Mahoney, Wyo., inserted his recent radio address outlining the progress of reclamation work in Wyo. (pp. A1787-8).

79th Congress } HOUSE OF REPRESENTATIVES { Report
2d Session } { No. 1825

CONSIDERATION OF H. R. 5856

March 27, 1946.—Referred to the House Calendar and ordered to be printed

Mr. Sabath, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 572]

The Committee on Rules, having had under consideration House Resolution 572, report the same to the House with the recommendation that the resolution do pass.

○

House Calendar No. 339

79TH CONGRESS
2D SESSION

H. RES. 572

[Report No. 1825]

IN THE HOUSE OF REPRESENTATIVES

MARCH 27, 1946

Mr. SABATH, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

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RESOLUTION

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and continue not to exceed one day, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Ways and Means, the bill shall be read for amendment under the five-minute rule. At the conclusion

of the consideration of the bill for amendment the Commitee shall rise and report the same back to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

House Calendar No. 339

79th CONGRESS
2d Session

H. RES. 572

[Report No. 1825]

RESOLUTION

To provide for the consideration of H. R. 5856, a bill to provide for trade relations between the United States and the Philippines, and for other purposes.

By Mr. Sabath

March 27, 1946

Referred to the House Calendar and ordered to be printed

Mar.
28

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section

79th-2nd, No. 55

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued March 29, 1946, for actions of Thursday, March 28, 1946)

(For the staff of the Department only)

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HIGHLIGHTS: Senate debated Russell amendment (to wage bill) to include farm labor in parity formula. House debated Philippine trade bill. Sen. Aiken introduced bill to prevent use of grain for nonessential purposes. Rep. Murray blamed Anderson Committee for use of feed on fat cattle. Rep. Hope introduced bill to establish National Food Research Institute. Rep. Randolph announced Federal pay bill has been ordered reported. Rep. Slaughter criticized OPA meat regulations. President approved independent offices bill and bill containing rural-rehabilitation and forest-fire items.

SENATE

1. LABOR STANDARDS. Continued debate on the Russell amendment to S. 1349 (the minimum wage bill) to include farm labor in the parity formula (pp. 2770, 2773, 2775-95).

2. PRICE CONTROL. Sen. Reed, Kans., inserted a letter from a restaurant operator criticizing OPA administration (p. 2786).
Received petitions from N. Y. citizens favoring continuation of price control (p. 2770).

3. SCHOOL LUNCH PROGRAM. Received a Manhattan (Kans.) Eagles resolution favoring continuation of this program (p. 2770).

4. LUMBER SHORTAGE. Sen. Langer, N. Dak., inserted a N. Dak. Lumbermen's Association request for alleviation of the lumber shortage (pp. 2770-1).

5. CONGRESSIONAL REORGANIZATION. Sen. Donnell, Mo., inserted newspaper editorials supporting the LaFollette-Monroney report (pp. 2773-4).

6. NOMINATION. Confirmed the nomination of John G. Winant to be U. S. representative on the UNO Economic and Social Council (p. 2795).

HOUSE

7. PHILIPPINE TRADE BILL. Began debate on this bill, H. R. 5856 (pp. 2814-15, 2819-34).

(over)

Summary of bill: Provides free entry for all Philippine articles from enactment of the bill until July 3, 1954. Provides that, beginning then, such articles will become subject to graduated duties. Makes all imports from the Philippines subject to the world rate after July 3, 1874. Imposes the following absolute quotas on imports from the Philippines from 1946 until 1974: Sugar, 850,000 short tons; cordage, 6,000,000 pounds; rice, 1,040,000 pounds; cigars, 200,000,000; scrap and filler tobacco, 6,500,000 pounds; coconut oil, 200,000 long tons. In addition to these quotas, diminishing duty-free quotas would be imposed on cigars, scrap and filler tobacco, and coconut oil. Permits the President to impose quotas on other Philippine articles if they are coming or are likely to come into substantial competition with similar U. S. articles. Provides for nondiscriminatory tax treatment by each country with respect to imports received from the other. Provides for assurances by the Philippines that American citizens or enterprises operating in the Philippines shall not be discriminated against in development and utilization of natural resources and public utilities. Authorizes an executive agreement to be entered into between the Presidents of the U. S. and the Philippines to take effect upon enactment by Congress and the Philippine legislature of appropriate provisions. Permits termination of such agreement by either country on 5 years' notice, or upon 6 months notice if either country adopts or applies measures or practices which would nullify or impair any right or obligation provided for in the agreement. Authorizes termination of the agreement under certain other possibilities of noncompliance.

Rep. Reed, N. Y., discussed the quotas on sugar, cordage, tobacco, coconut oil, and rice, and announced that nothing in the bill would change the existing position of coconut oil in relation to the dairy industry (pp. 2825-7).

8. FEDERAL PAY BILL. Rep. Randolph, W. Va., announced that the Civil Service Committee has taken action reporting favorably S. 1415, which would increase the pay of Federal employees on a basis of 18½%, and that he would try to get a rule to bring up the bill Wed. (p. 2833).

9. WAR DEPARTMENT CIVIL APPROPRIATION BILL. Reps. Kerr, Mahon, Norrell, Hedrick, Kirwan, Engel, Case, and Tibbott were appointed conferees on this bill, H. R. 5400 (p. 2799). Senate conferees were appointed Mar. 19.

10. FEED AND GRAIN SHORTAGE. Rep. Murray, Wis., called attention to the feed shortage, stating, "...if there is any one group that is responsible for diverting this feed into fat cattle or choice products, it surely has been the Anderson committee" and that Secretary Anderson must assume responsibility if protein meal is being allocated to tobacco growers for fertilizer (p. 2820).

Rep. Voorhis, Calif., remarked that since he had introduced a bill to authorize the President and the Secretary to prevent the use of grain for nonessential purposes, including liquor manufacture, he had found opposition from the liquor interests (p. 2818).

11. MEAT SHORTAGE. Rep. Slaughter, Mo., criticized OPA regulations on meat and meat packing as driving meat and cattle into the black market, and said Secretary Anderson should be in charge of the meat program (pp. 2815-8).

12. WHEAT PENALTY. Rep. Rees, Kans., urged passage of his bill, H. R. 5914, to provide for refund of wheat penalties paid on 1941-2 crops (p. 2798).

13. SURPLUS PROPERTY. Rep. Philbin, Mass., criticized the administration of the Surplus Property Act (p. 2798).

projects in Alaska, not to exceed $15,000,000 for projects in Hawaii, and not to exceed $10,000,000 for projects in Puerto Rico. The conference substitute provides that of the aggregate authorized appropriation of $20,000,000, 50 percent of the amounts available for grants shall be for projects in Alaska, 25 percent for projects in Hawaii, and 25 percent for projects in Puerto Rico.

FORMULATION OF NATIONAL AIRPORT PLAN

Both the Senate bill and the House amendment contained provisions directing the Administrator of Civil Aeronautics to prepare and revise annually a national airport plan in conformity with which the airport development provided for by the bill would be carried on. In each case the Administrator was directed in the formulation of the plan to take into consideration the views and recommendations of certain specified governmental agencies. This section as it appears in the conference substitute (sec. 3) is similar to the provision in the House amendment except that it contains a provision from the Senate bill directing the Administrator, in the formulation of such plan, to give consideration to the views and recommendations of the Federal Communications Commission and to make all reasonable efforts to cooperate with that Commission for the purpose of eliminating, preventing, or minimizing airport hazards caused by construction or operation of any radio station.

SUBMISSION TO CONGRESS OF PROPOSALS WITH RESPECT TO LARGER AIRPORTS

The conference substitute contains a provision (sec. 8) similar to one contained in the Senate bill, requiring the Administrator to submit to the Congress, at least 2 months prior to the close of each fiscal year, a request for authority to undertake during the following fiscal year those of the projects for the development of class 4 and larger airports included in the then current revision of the national airport plan, which, in his opinion, should be undertaken during such next fiscal year. Such request is to be accompanied by an estimate of Federal funds required to pay the United States share of the allowable project costs of such projects. The Administrator is directed to consider, among other things, in determining which projects to include in his request, the relative aeronautical need for and urgency of the projects included in the plan and the likelihood of securing satisfactory sponsorship of such projects. It is further provided that the Administrator, in making grants of any funds that may thereafter be appropriated to pay the United States share of allowable project costs during the next fiscal year, may consider the appropriation as granting the authority requested unless a contrary intent has been manifested by the Congress by law or by concurrent resolution, and it is provided that no such grants shall be made unless so authorized. The House amendment contained no provisions similar to those above referred to.

There has been included in the conference substitute (sec. 2 (b)) a provision, taken from the Senate bill, specifying the manner of determining the class into which an airport falls.

COSTS OF ACQUISITION OF LAND AND INTERESTS IN AIR SPACE

The House amendment provided that allowable project costs could not include the cost of acquiring any interest in land or any easement through or other interests in air space, so that appropriations made to the Administrator could not have been used for the payment of any part of such costs. The Senate bill would have permitted the Administrator to contribute the full United States share in the case of such acquisitions.

Under the conference substitute (sec. 2 (3) and (6)) the Administrator will be authorized to pay part of the cost of acquisition of land or interests therein, or of any easement through or other interest in air space, but the United States share with respect thereto (sec. 10 (d)) is to be 25 percent of the allowable cost in the case of class 3 or smaller airports, and not to exceed 25 percent of the allowable cost in the case of class 4 or larger airports.

UNITED STATES SHARE OF ALLOWABLE PROJECT COSTS

Under the House amendment it was provided that the United States share of allowable project costs should be that portion of such costs (not to exceed 50 percent) as the Administrator deemed appropriate for carrying out the provisions of the legislation, except that in the case of any approved project in Alaska it was provided that the United States share should be not to exceed 75 percent of the allowable project costs. The Senate bill provided that the United States share should be 50 percent of the allowable project costs in all cases.

The section contained in the conference substitute on this subject (sec. 10) is as follows:

It provides, in general, that in the case of any project for the development of a class 3 or smaller airport the United States share shall be 50 percent of the allowable project costs.

It provides, in general, that in the case of a class 4 or larger airport the United States share shall be such portion of the allowable project costs (not to exceed 50 percent) as the Administrator may deem appropriate for carrying out the provisions of the legislation.

An exception is provided with respect to the United States share in the case of a project in any State containing unappropriated and unreserved public lands and nontaxable Indian lands (individual and tribal) exceeding 5 percent of the total area of all lands in the State. For such a project, the United States share in the case of a class 3 or smaller airport (or the maximum United States share in the case of a class 4 or larger airport) is increased by whichever is the smaller of the following percentages thereof: (1) 25 percent, or (2) a percentage equal to one-half the percentage that the area of all such public lands and Indian lands in the State is of the State's total area.

In the case of projects in Alaska the House provision for a maximum United States share of 75 percent of the allowable project costs is retained, but it is provided that in the case of a class 3 or smaller airport the United States share shall be not less than 50 percent of the allowable project costs.

This section also contains the provision, referred to above, limiting the amount of the United States share in the case of acquisitions of land or interests in air space.

DEFINITION OF "PROJECT COSTS"

Both the Senate bill and the House amendment contained a definition of the term "project costs." The definition of this term contained in the conference substitute (sec. 2 (6)) is substantially the same as the definition contained in the Senate bill. The only substantive change made from the definition as it appeared in the House bill is with reference to the inclusion of costs of acquisition of land or interest therein or easements through or other interests in air space. While the text of the definition differs from the House definition in that it makes specific reference to accomplishing work "by contract," there is nothing in the bill to require that airport development work be accomplished exclusively through contractual arrangements.

APPROVAL OF PROJECTS

Section 9 (c) of the conference substitute contains a provision taken from the Senate bill, providing that no projects shall be approved with respect to any airport unless a public agency holds good title, satisfactory to the Administrator, to the landing area of such airport or the site therefor, or gives assurance satisfactory to the Administrator that such title will be acquired. The House amendment contained no such provision.

PROJECT SPONSORSHIP

Section 11 (2) of the conference substitute provides that as a condition precedent to approval of a project the Administrator shall receive assurances that such airport and all facilities thereon or connected therewith will be suitably operated and maintained, with due regard to climatic and flood conditions. This is the same provision that appeared in the House amendment, except that the words "with due regard to climatic and flood conditions" have been added from the Senate bill. They are for the purpose of indicating that the owner or operator of the airport will not be expected to operate and maintain such airport during temporary periods when climatic or flood conditions interfere substantially with operation and maintenance during such periods.

Section 10 (5) of the House amendment provided that the Administrator should not approve a project unless he had received assurances that the airport owner or operator would furnish to any civil agency of the Government, without charge, such space in airport buildings as might be reasonably adequate for use in connection with any air-traffic control or weather-reporting activities, and communications activities incidental thereto, which such agency deemed it necessary to establish and maintain at the airport. The comparable provision in the Senate bill would have required the furnishing of similar facilities to the Government at a reasonable rent. The provision which has been included in the conference substitute (sec. 11 (5)) is the same as the provision of the House amendment, except that (1) it recognizes the right of the airport operator or owner to make a charge for light, heat, janitor service, and similar facilities and services at the reasonable cost thereof, and (2) the space to be furnished under the conditions specified would be that for use in connection with air-traffic control activities, and weather-reporting activities and communications activities related to air-traffic control.

Section 11 of the conference substitute retains that part of the corresponding House provision which authorized the Administrator to enter into contracts in order to insure compliance with the provisions of the section, but there has been omitted the language which would have provided that "such contracts shall be enforceable by decrees for specific performance." The omission of this language is not intended to indicate that the Administrator should not under any circumstances enter into contracts enforceable by decrees for specific performance, or that courts should refrain from issuing such decrees in appropriate cases. The only effect intended to be achieved by the elimination of this language was to avoid the adoption of a provision which might be construed as an attempt to change by statute the general law governing this type of equitable relief.

PROVISIONS WITH RESPECT TO LABOR

Section 15 of the conference substitute contains two provisions, subsections (b) and (c), which have been taken from the Senate bill with modifications. No similar provisions were contained in the House amendment. These provisions are in the nature of conditions attached to the granting of Federal funds for airport development. They apply only in the case of accomplishment of airport development under contracts.

Subsection (b) provides that contracts for work on projects approved under the act, involving labor, shall contain provisions establishing minimum rates of wages, to be determined by the Secretary of Labor, which contractors shall pay to skilled and unskilled labor, and it is required that such minimum rates shall be stated in the invitation for

bids and shall be included in the proposals for bids for such work.

Subsection (c) provides that contracts for work on approved projects, involving labor, shall contain such provisions as are necessary to insure (1) that no convict labor shall be employed, and (2) that in the employment of labor (except in executive, administrative, and supervisory positions), preference shall be given, where they are qualified, to honorably discharged former members of the armed forces of the United States. It is provided, however, that such preference in the case of former members of the armed forces shall apply only where such labor is available and qualified to perform the work to which the employment relates.

REIMBURSEMENT FOR DAMAGE TO PUBLIC AIRPORTS CAUSED BY FEDERAL AGENCIES

Section 17 of the conference substitute contains provisions taken from the Senate bill with modifications, providing for reimbursement to public agencies for the necessary rehabilitation or repair of public airports substantially damaged by Federal agencies. No similar provision was contained in the House bill except that in section 10 of the House bill, as a condition precedent to approval of a project, it was provided that the Administrator should receive assurances in writing satisfactory to him that, among other things, all facilities of the airport should be available for the use of Government aircraft without charge other than a charge sufficient to defray the cost of repairing damage by such aircraft. In view of the inclusion of this provision from the Senate bill the House provision above referred to has been omitted.

By section 17 of the conference substitute the Administrator of Civil Aeronautics is authorized to consider, ascertain, adjust, and determine any claim submitted by a public agency for reimbursement of the cost of necessary rehabilitation or repair of a public airport, under control or management of such public agency, substantially damaged by any Federal agency.

When the Administrator, after considering any such claim, determines the amount of reimbursement which in his judgment should be made, he is directed to certify such amount to the Congress as a claim against the United States, together with a brief statement of the character of the claim, the amount claimed and the amount allowed. Authorization is granted in the section for the appropriation of amounts necessary to pay claims so submitted to the Congress, and no claims will be paid until the necessary funds are appropriated. Such claims will not, of course, be paid from appropriations for the airport program provided for by the bill, but are to be paid from amounts separately appropriated for the specific purpose of paying such claims.

No claim may be considered by the Administrator unless presented to him within 6 months after the occurrence of the damage upon which it is based, except that in the case of damage caused by operations of a military nature during time of war a claim may be filed within 60 days after the termination of the war.

ACQUISITION OF PROPERTY FOR PROJECT SPONSORS

There has been omitted from the conference substitute the provisions which were contained in section 15 of the House amendment, which would have authorized the Administrator, upon request, to use the Federal condemnation power to acquire, for project sponsors, any real property or interest therein, or any easement through or other interest in air space, which in his opinion was necessary in connection with an airport development project and could not be acquired by the project sponsor without undue expense or delay.

A. L. BULWINKLE,
CLARENCE F. LEA,
VIRGIL CHAPMAN,
LYLE H. BOREN,
CHARLES A. WOLVERTON,
PEHR G. HOLMES,
Managers on the Part of the House.

HOUR OF MEETING TOMORROW

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

Mr. MARTIN of Massachusetts. Reserving the right to object, Mr. Speaker, and I am not going to object, I understand the conference report on the so-called Petrillo bill will be taken up first, and then the only other business will be the Philippine measure?

Mr. McCORMACK. That is correct. We are meeting at 11 o'clock for the purpose of taking up the conference report and then enabling the Ways and Means Committee to continue with the consideration of the Philippine bill.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

PHILIPPINE TRADE ACT OF 1946

Mr. SABATH. Mr. Speaker, I call up House Resolution 572 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and continue not to exceed 1 day, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Ways and Means, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment the Committee shall rise and report the same back to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SABATH. Mr. Speaker, this resolution makes in order H. R. 5856, known as the Philippine trade bill, which aims to bring about mutually advantageous trade relations between our country and the Republic of the Philippines. I am pleased to state that it was reported from the Ways and Means Committee by unanimous vote, and therefore I trust it will receive the unanimous support of the House.

This is an open rule, providing for a full day of general debate, and waiving points of order. In view of the fact that about 2 hours time has been taken on the resolution just passed, I feel the committee should have an additional two hours tomorrow so as not to be deprived of the full day requested. After full debate, amendments may be offered under the 5-minute rule. The bill as presented is a compromise representing long and careful consideration in the Committee on Ways and Means.

Personally, I am pleased and gratified that I should have the honor and the opportunity of presenting this rule, which enables the House to begin debate on a measure to promote friendly and mutually advantageous relationships between our own country and the new republic of the east which will begin its own self-government on July 4 of this year. This is an eventuality I have long urged and supported.

Yes, Mr. Speaker, 37 years ago I introduced a resolution providing for neutrality of the Philippine Islands. Ever since that time I have urged legislation which would give independence and self-government gradually to these deserving people, who have proved in the pursuit of peace and in the horrors of war and defeat their capacity to rule themselves and determine their own destiny, as is now generally recognized. At the time I introduced my resolution I was fearful that at some future time the Japanese might some day attempt to take over the Philippines; my worst fears were realized, but the Filipinos proved their patriotism and bravery by their heroic resistance when all seemed lost. I am most happy that their land has been redeemed from the despoiler, and with the help of my own country rescued from the clutches of the barbaric Japs; and that these brave and enduring people will have their freedom, as planned, this year.

I fully realize the trials and tribulations this new self-governing nation must face. Nevertheless, with the continuance of the spirit of cooperation and common purpose proved during the Japanese conquest and occupation I look for, I am sure harmony will prevail and the new sovereign state will not be torn by internal discord. The Republic of the Philippines will shine forth to prove its right to a place in the family of nations.

I know the provisions of the bill will be fully and clearly explained in the time of the Committee on Rules by the able young gentleman of 83 from North Carolina [Mr. DOUGHTON], chairman of the Committee on Ways and Means; and I have promised time to my colleague from Missouri, as well as to the gentleman from North Carolina. Therefore, I shall forego the pleasure of a detailed explanation of this bill which I so warmly welcome.

Briefly, the objective of this legislation is, as I have said, the establishment of a mutually advantageous trade relationship between the United States and the Republic of the Philippines, and covers a 28-year period. It is designed to provide incentives for rehabilitation and development of the islands and to provide stability to future commerce. The principal matters dealt with are:

First. Customs duties on a reciprocal basis, preferential as against all other countries.

Second. Establishment of quotas on the imports of certain Philippine products.

Third. Reciprocal nondiscriminatory treatment in the field of taxes.

Fourth. Adjustments in the immigration laws of both countries to meet the pressing needs of the immediate future.

Fifth. Protection of United States citizens and American business enterprises, regardless of form, against discriminatory treatment.

With that, Mr. Speaker, I reserve the balance of my time and ask unanimous consent to extend my remarks, and yield 30 minutes to my colleague, the gentleman from Illinois [Mr. ALLEN]. Yet first I must take another moment to express the hope and the wish that the Filipino people will enjoy the full benefit of peace and prosperity and independence, hard won by half a century of steady progress and 3 years of stubborn resistance to the barbarous invaders from Japan, for many centuries to come.

(Mr. SABATH asked and was given permission to extend his own remarks.)

Mr. ALLEN of Illinois. Mr. Speaker, the able chairman of the Rules Committee has fully explained the rule with regard to H. R. 5856. There is no objection to the rule on this side of the aisle. I know I have not heard any objection to the bill itself.

Mr. COLE of New York. Mr. Speaker, will the gentleman yield?

Mr. ALLEN of Illinois. I yield.

Mr. COLE of New York. I wish to inquire of the gentleman or some other member of the committee what provisions are contained in H. R. 5856 which make it necessary to waive points of order.

Mr. ALLEN of Illinois. I yield to the gentleman from Michigan [Mr. MICHENER] to reply.

Mr. MICHENER. The only information I have about that, is that the resolution contained a provision relating to taxes and possibly an appropriation, which made the waiving of points of order necessary. This is a legislative bill from the Committee on Ways and Means, a different type of bill than has ever been presented to the Congress. Under existing law and the Constitution, treaties and agreements with foreign nations are negotiated by the executive branch and ratified by the Senate. This resolution places in statute form an agreement negotiated between our country and the Philippine Commonwealth. It requires a majority vote in both the House and the Senate, and not a two-thirds vote in the Senate alone. In this respect it is an innovation. When completed by the parties signatory, it can only be changed by an act of Congress. The Executive's discretion in the premises is limited by the resolution. This is new procedure. I have always favored the ratification of treaties with foreign countries by the House and the Senate by a majority vote only. Here the Congress is establishing a precedent which may mean much so far as treaties are concerned.

The Ways and Means Committee are prepared to answer all questions and adequately explain the provisions of the resolution, after this rule is adopted and the consideration of the bill is had before the committee.

Mr. COLE of New York. The question of whether points of order should be waived must have been raised in the Rules Committee. If the gentleman from Illinois [Mr. ALLEN] cannot advise us what those provisions are perhaps some member of the Ways and Means Committee can. It occurs to me that the House should be advised as to what points of order are being waived.

Mr. MICHENER. I may say that in the first instance, at the hearing before the committee, an open rule was asked for, without waiving points of order. A little later a member of the Ways and Means Committee and the chief draftsman, Mr. Beaman, of the Legislative Service, appeared and said there was one technical provision in the resolution that might be subject to a point of order. The Rules Committee, using the judgment it usually uses when tax bills are brought before the committee, granted this rule.

Mr. COLE of New York. The gentleman will admit it is rather unusual for the Rules Committee to ask the House to adopt a rule which waives points of order without itself being in a position to advise the House what provisions in the bill are affected by that limitation?

Mr. MICHENER. It probably shows too much confidence in the unanimous agreement of the great Ways and Means Committee, as well as in the draftsman, Mr. Beaman.

Mr. COLE of New York. There are at least a dozen members of the Ways and Means Committee present, and I observe no one is able to explain it.

Mr. SABATH. Mr. Speaker, we should not be deprived of knowing what is going on over there. So far I have not heard anything that has been said on the other side.

The SPEAKER. The question raised by the gentleman from New York [Mr. COLE] was what provision of the bill made necessary the provision of the rule waiving points of order.

Mr. KNUTSON. Mr. Speaker, there are no provisions in the bill which require the waiving of points of order. There may be a technical involvement where it has reference to returning to the Philippine treasury certain taxes. Otherwise, there are none.

Mr. ALLEN of Illinois. Mr. Speaker, I yield to the gentleman from Kansas [Mr. CARLSON] such time as he may desire.

Mr. CARLSON. Mr. Speaker, in reply to the request of the gentleman from New York [Mr. COLE], may I say that under existing law processing taxes are collected and impounded in the Treasury of the United States to be returned to the Philippine Islands. Under the proposals in this bill these taxes are still being collected but retained in the Treasury of the United States after July 4, 1946. The moneys collected between now and July 4 this year will be returned to the Philippines. There might be some question that that and other sections dealing with revenue matters would be subject to a point of order.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. CARLSON. I yield to the gentleman from Arkansas.

Mr. MILLS. The fact they will be returned under the bill between now and July 3, 1946, might be interpreted as an appropriation.

Mr. COLE of New York. It is only to that extent, then, that this provision is necessary?

Mr. CARLSON. That is right.

Mr. ALLEN of Illinois. Mr. Speaker, I yield to the gentleman from Kansas [Mr. SCRIVNER].

Mr. SCRIVNER. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the RECORD and include two letters relating to the Un-American Activities Committee.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. ALLEN of Illinois. Mr. Speaker, I yield to the gentleman from Illinois [Mr. CHURCH].

Mr. CHURCH. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a recent address by Governor Green, of Illinois. This may exceed the two pages of the RECORD allowed, but I ask that it be printed notwithstanding that fact.

The SPEAKER. Without objection, notwithstanding the cost, the extension may be made.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. ALLEN of Illinois. Mr. Speaker, I reserve the balance of my time.

Mr. SABATH. Mr. Speaker, I yield to the gentleman from Wisconsin [Mr. BIEMILLER] such time as he may desire.

Mr. BIEMILLER. Mr. Speaker, in the debate earlier today there was an unfortunate inference in the remarks of the gentleman from Mississippi [Mr. RANKIN] that I had given an interview to the Daily Worker. I wish to state that I gave no such interview. The Daily Worker has evidently picked up a statement I made to the National Committee to Combat Anti-Semitism and released by that committee. This organization lists among its sponsors such distinguished Members of Congress as the Senator from South Carolina, Mr. JOHNSTON, the gentleman from Massachusetts [Mr. PHILBIN], and the gentleman from Ohio [Mr. GRIFFITHS].

I can no more control what the Daily Worker picks up from my statements than can the gentleman from Mississippi, or any other Member of this House.

Mr. SABATH. Mr. Speaker, I yield 15 minutes to the gentleman from Missouri [Mr. SLAUGHTER].

Mr. SLAUGHTER. Mr. Speaker, I ask unanimous consent to proceed out of order, and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. SLAUGHTER. Mr. Speaker, my excuse for intruding upon the time of the

House this afternoon is to denounce a situation which is destroying a billion-dollar industry in this country.

I have just returned from Kansas City and from Chicago and I say without fear of successful contradiction that the old-line established meat packers are just about out of business so far as beef is concerned. I am told by responsible sources that hogs will follow.

Last week I found the situation so serious in Kansas City that I went to Chicago to observe conditions in that great cattle market. The situation is equally bad in either city, and for the possible interest of the House I am making this speech in the nature of a report.

With the possible exception of grain, the packing industry is the largest business in Kansas City. It is a business that continues year in and year out and provides employment for thousands of men and women and indirectly supports many more. This time of year is ordinarily a relatively busy time in the stockyards and packing plants in Kansas City and Chicago, but now we witness a situation where the killing of beef is almost at a standstill. This plight is even more alarming when considered in connection with the general alarming food situation which confronts the whole world. Furthermore, if it continues, unemployment, which already is sweeping this industry, will increase and all business will feel this blow. The situation has deteriorated so badly since the recent strike of the packing employees that unless something is done, and done quickly, the packers are through. When such a drastic condition develops so quickly it is obvious that there must be some immediate underlying reason that is producing this unhealthy situation. After talking to numerous packers, livestock men, and commission merchants in these two great packing centers, the conclusion is inevitable that the shortage of cattle which are available for legitimate slaughter at the large markets is caused by conflicting and unworkable regulations of the OPA. It is apparent to anyone who studies the situation that unless this condition is remedied immediately, black market operations, which have already reached staggering proportions, will almost completely take over the marketing of beef in this country.

By way of preface, let me say that I have been a consistent supporter of the OPA. On the floor of this House I have on more than one occasion defended Mr. Bowles from attacks which I thought were unjustified and unfair. When the OPA Act was last extended a year ago, I handled the rule and made the opening and principal statement that made in order the consideration of the bill, and I did so enthusiastically. I am for an extension of the present OPA Act, and have so expressed myself on the floor of the House and other places on numerous occasions. However, no matter how well the OPA may have succeeded in other instances, the fact remains that in the beef situation, it has failed completely and totally, and at the present time the beef market is demoralized and in the hands of black-market operators and the situation is becoming worse day by day. The facts speak for themselves, and it is my intention in these remarks to touch upon the factual situation of the beef market as it exists today.

In the week ending March 23, 1946, the four large packers in Kansas City bought and slaughtered 1,780 cattle. In the corresponding week, 1945, these same packers slaughtered 11,835 cattle. These are facts that cannot be brushed aside and they are obtained from sources which establish their authenticity beyond all question. It is only proper to consider the reason for this startling situation. In order that the background may be a little more complete, I have obtained the figures not only for the two corresponding weeks mentioned above, but for the years 1942, 1943, and 1944, which are presented herewith:

Cattle—Kansas City

	Week ending—				
	Mar. 23, 1946	Mar. 24, 1945	Mar. 25, 1944	Mar. 27, 1943	Mar. 28, 1942
Purchased by—					
Armour	469	4,739	3,119	3,045	3,594
Cudahy	548	2,395	2,409	2,182	2,199
Swift	551	2,016	2,231	2,018	1,800
Wilson	212	2,685	2,153	2,271	2,494
Total	1,780	11,835	9,912	9,516	10,087
Total, cattle received	21,762	37,250	25,245	33,644	22,281

This situation is not confined to Chicago and Kansas City, but on the contrary prevails in the 10 largest cattle markets of the United States. For the information of the House, I submit the following table which shows the receipts of beef cattle at the 10 largest markets, and the percentage purchased by one of the largest packing firms:

Receipts at 10 principal markets and purchases of 1 of the large packers on those markets for 3 weeks ended Mar. 23, 1946, compared with previous years

3 weeks ending—	Receipts	Actual purchase	Percent of receipts purchased
Mar. 23, 1946	548,210	47,775	8.6
Mar. 24, 1945	629,373	108,045	17.3
Mar. 23, 1944	528,047	98,422	18.6
Mar. 21, 1942	477,116	108,839	22.8
Mar. 22, 1941	387,424	83,446	21.5
Mar. 23, 1940	375,133	79,351	21.1

It will be noticed that whereas in former years this particular packer was able to and did purchase approximately 20 percent of all the cattle at these 10 yards, in the week ending March 23, 1946, the same packer was only able to purchase 8.6 percent.

The inevitable results of this situation have already been felt in Kansas City, where over 1,000 employees have been laid off by the so-called Big Four packing firms. In Chicago one large packer alone has laid off more than a thousand men. So few cattle are being slaughtered that in the killing gangs men with 25 and 30 years of seniority have been laid off for the first time. Unless the condition is rapidly corrected, these lay-offs will be succeeded by more drastic employee cuts with the resulting loss of purchasing power in the various communities involved. Even those employees who are retained are working on a greatly reduced time schedule, which at present means a take-home pay of something less than 50 percent of the wages received for the same period last year.

The root of the trouble, according to livestock men and packers, lies in the compliance regulations which must be observed by the packers if they are to receive a Government subsidy. Compliance is a procedure or routine which must be observed by the packer in order to collect the subsidy which the Government offers, and without the subsidy a packer cannot stay in business with the present price ceilings. Compliance figures are arrived at by a complicated set of calculations which I shall not attempt to explain in detail. Sufficient to say that the subsidy is calculated on certain primary factors. The grading of the meat enters into the subsidy payment. The percentage of beef that is dressed and processed out of carcass is a vital factor. The subsidy is calculated not upon one animal or one group of animals, but upon all of the beef cattle which are slaughtered during a given period of 3 weeks. The subsidy payment varies with various grades, the highest subsidy of $3 per live hundredweight being paid for grade A cattle. The large and reputable packers can predict almost with the accuracy of a life-insurance actuary the percentage of dressed beef that can be procured from a given animal. In the case of Grade A beef, for instance, the packers know from many years' experience that they can count on a yield of 61 percent. Since this percentage factor is taken into consideration in determining subsidy payment, the dishonest packer or black-market operator has much to gain by falsifying his records and reporting to the OPA that his beef has dressed out 65 percent, and I am told that in some instances in and around New York City, some operators of dubious reputation have reported a yield as high as 67 percent, which all reputable packers and stockmen know to be an impossible yield. Yet the OPA accepts these false figures, and the taxpayers foot the bill.

The old-established, federally inspected packers keep books that are always open to any proper governmental agent, and they are kept with the greatest possible degree of accuracy. If there are any mistakes in judgment made in the buying of cattle which violate the compliance rule, they are penalized, for all their transactions are in the open. This compliance violation penalty is provided by a sliding scale of diminishing subsidies. Ten percent of the subsidy is withheld if at a given period a packer misses his guess by ¼ percent or less; 30 percent, ¼ to 1 percent; 60, 1½ to 2 percent, and no subsidy paid if the packer's figures are off as much as 2 percent.

In the buying of cattle, the packer is at the mercy of his buyer, who, incidentally, is one of the most highly skilled and highly paid men in the packing industry. The salary and bonus has always been large, for he must possess the ability to look at a given lot of cattle and to determine the approximate yield that the packer will receive from that given lot. The packers and their buyers are acutely

ments which they know can be cut down to what reviewing officers think merited by the "discipline" of the command at the time. This in effect places the reviewing officer—who often is remote from the facts in the case—in the position of a judge.

The civilian review board has a big job, and no amendments suggested by it can be expected to eliminate all injustice as long as they must be interpreted and applied by individuals. The concept of military justice continues to be based primarily on the need for maintaining efficiency of the Army. But there is good reason to believe that the Army's efficiency could be increased measurably by applying some well-chosen reforms in court-martial procedure.

Mr. SABATH. Mr. Speaker, I yield 1 minute to the gentleman from Michigan [Mr. RABAUT.]

EXTENSION OF REMARKS

Mr. RABAUT. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein two letters, one from the American Legion which was addressed to every Member of the House yesterday and the answer to the letter which I have requested of the liaison officer, W. J. Hays, and to insert both letters in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. ALLEN of Illinois. Mr. Speaker, I yield 10 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Speaker, it is for the purpose of facilitating the passage of the bill that will shortly come before us that I take this opportunity of speaking under the rule rather than during general debate on the bill.

This is perhaps one of the most unusual measures ever presented to the House of Representatives, and I think I may fairly say that it marks the crowning act of American generosity to a fine people who recently were compelled to withstand the vicissitudes of a devastating war. Never did I think the day would come when I would stand before this body and advocate the passage of an out-and-out free-trade bill, but it is a case of necessity knowing no law. Conditions in the islands are desperate. We are told that little can be done by the Filipinos, themselves, toward recovery until this, or a similar measure has been enacted by Congress.

This measure confers privileges of full free trade for 8 years, or until July 4, 1954. After that we will impose a graduated annual increase in tariffs beginning with 5 percent of the rates applicable to Cuba, which enjoys the most favored status of any country in the world as far as the American market is concerned. The following year that is increased to 10 percent, and so on up to July 3, 1974, when the rate to be paid by the Filipinos will be 100 percent, or the full world rate. The Cuban treaty, as you know, confers very decided trade advantages to the people of that republic. As I recall, they have an advantage of 20 percent in many items, and other items carry greater advantages until we get to manganese, that is, Cuban manganese which is on the free list. Thus you can readily appreciate that what is here proposed for the Filipinos constitutes—I do not like to use the word "generosity," an act of generosity—but it at least constitutes a proposed act that is without parallel in American foreign-trade dealings. Indeed, it is doubtful if a parallel case can be found in the history of any country.

I may say for the information of the House that the benefits carried in this measure are reciprocal and we will enjoy just as many advantages under the operation of the law as will the Filipinos.

Mr. ROBSION of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. Is there anything in the bill whereby the Congress may modify this relationship between the United States and the Filipinos in the event that there is such a development there, and we may expect I think the greatest development that country has ever seen, in capital, the ability to raise sugar and so forth in competition with the United States?

Mr. KNUTSON. I am very glad that the gentleman from Kentucky has raised that point. There is a provision in the bill that reserves to the Congress the right to modify or even repeal upon due notice, but, of course, we must not lose sight of the fact that once this act is signed by the President and approved by the Philippine Congress and they enact legislation to meet the requirements laid down in this bill it will have all the effect of a treaty and, of course, no honorable nation abrogates treaties if it can possibly be avoided.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Nebraska.

Mr. CURTIS. If I understood the question of the gentleman from Kentucky correctly, I believe the only way they can change this proposal is upon 5 years' notice by either republic, or in case of a violation, 6 months' notice.

Mr. KNUTSON. That is true, and I thank the gentleman for his contribution. If there is a violation we can terminate the agreement in 6 months.

Mr. CURTIS. With at least 6 months' notice, but either party may terminate it in 5 years.

Mr. KNUTSON. That is true.

Mr. JENKINS. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Ohio.

Mr. JENKINS. It might be well for the gentleman to state also that if the Presidents of both Republics, and their corresponding Congresses, agree to a change, it can be changed at any time.

Mr. KNUTSON. Of course, it can be done by unanimous consent. Most anything can be done by unanimous consent.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Arkansas.

Mr. MILLS. In further answer to the question asked by the gentleman from Kentucky, it should be pointed out that the Congress for the period of the 28 years of the effectiveness of this agreement is powerless to change any of the provisions within the agreement under title IV without that change possibly constituting a violation of the agreement which would result in its being set aside. The United States in the agreement will reserve the right to impose quotas which are not mentioned in the bill. It can act in addition to the provisions of the bill, but it cannot modify or repeal the provisions contained in the agreement.

Mr. KNUTSON. True. Mr. Speaker, it is not my purpose to go into details at this time. My brief time will not permit of my doing so. That can be done much better by the gentlemen who were members of the subcommittee that prepared the final draft. I want to take this occasion to say that they have done a very excellent job under very unusual and difficult conditions.

Mr. Speaker, I would also like to call attention to the fact that in this bill we have tried to protect investments of Americans in the islands just as fully as it is possible without actually violating the sovereignty of the new Republic that is to be born across the seas on July 4.

Mr. CRAWFORD. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Michigan.

Mr. CRAWFORD. I wish to submit a question to the gentleman on the specific point that was being discussed a moment ago to see if we can make a practical application of it.

On page 43 of the committee report it is pointed out there that in connection with your allocation of sugar quotas the Philippines may ship into this country 850,000 short tons for each year up until 1974, and I notice a proviso in the bill wherein the Federal Government of the United States says to the sovereign government of the Philippine Republic that you shall allocate the right to produce and ship sugars from those who are in business in 1940, whether they be Chinese nationals, British nationals, Spanish nationals, or otherwise.

Mr. KNUTSON. The gentleman is right, unfortunately, but it cannot be helped in view of present day circumstances.

Mr. Speaker, I ask unanimous consent to insert as part of my remarks a table giving the rates on Philippine importations over the period covered by this measure.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. KNUTSON. The table reads as follows:

Rates of Duty on Philippine Articles

PERCENT OF RATE APPLICABLE TO CUBA—20 PERCENT ON MANY ITEMS—MORE ON OTHERS, UP TO 100 PERCENT ON MANGANESE

[Expressed in terms of percentages of United States duty]

Year:	Percent
1954 (July 4–Dec. 31)	5
1955	10
1956	15
1957	20
1958	25
1959	30
1960	35

Year:	Percent
1961	40
1962	45
1963	50
1964	55
1965	60
1966	65
1967	70
1968	75
1969	80
1970	85
1971	90
1972	95
1973	100
1974 (Jan. 1–July 3)	100
After July 3, 1974, 100 percent world rate.	

NOTE.—Above table may also be used to find rates on United States articles, expressed in terms of percentages of Philippine duty, except that there is no Cuban rate and no similar existing preference given by Philippines.

Mr. ALLEN of Illinois. Mr. Speaker, I yield 5 minutes to the gentleman from Wisconsin [Mr. MURRAY], and I ask unanimous consent that he be permitted to proceed out of order.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

(Mr. MURRAY of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. MURRAY of Wisconsin. Mr. Speaker, I would like to supplement what was said by our distinguished colleague from Missouri [Mr. SLAUGHTER]. This livestock problem is tied up with feed supplies. If ceilings on cattle are removed this means removal of ceilings on feeds. I do not know how many Members of Congress realize how serious feed for livestock really is today. I call your attention to this fact, that President Truman has made certain commitments at Potsdam to the starving people of the world. I think that every person in America wants to see President Truman in a position so he can fulfill those commitments. It just happens that there is not enough feed in the world to provide the commitments made at Potsdam and also provide everybody in this country with all the feed they may need in the livestock industry. I might say that if there is anyone that should be up here with tears in their eyes it should be dairymen of this country. I feel that the next 90 days is the time that we must be patient. As one Member of Congress I do not want to do anything that is going to prevent the President from fulfilling the commitments that he made so far as feeding the starving people of the world is concerned. Before the war there were more dairy cattle than there were beef cattle in this country. About 40 percent of the beef of this country came from the dairy herds.

I might mention at this time—and our hindsight is always so much better than our foresight—that the Anderson committee, the special committee that was going to do so much for agriculture a year ago, recommended putting this 4-cent subsidy on these fat cattle, and if there is any one group that is responsible for diverting this feed into fat cattle or choice products, it surely has been the Anderson committee. If protein feeds like soybean meal and linseed meal are being allocated to tobacco growers for use as fertilizer, it is a responsibility that the Secretary of Agriculture must also assume.

If you will look at the record of imports, you will find that in 1944 we imported some 260,000,000 bushels of grain and we exported but 10,000,000. If you will look at the figures for 1945 you will see that our exports of grain are much more than our imports. Just one look at that table will show where our troubles are. I do not think there is any way of providing the feeds necessary for the livestock and also have grain for shipments abroad.

Mr. SABATH. Mr. Speaker, I yield the balance of my time to the gentleman from North Carolina [Mr. DOUGHTON] the chairman of the Committee on Ways and Means.

Mr. ALLEN of Illinois. Mr. Speaker, I yield the balance of my time to the gentleman from North Carolina [Mr. DOUGHTON].

Mr. DOUGHTON of North Carolina. Mr. Speaker, the rule provides for one day of general debate, but inasmuch as we did not get started on the consideration of this bill today until the day was half gone, I ask unanimous consent that we may have not to exceed 2 hours of general debate tomorrow before we read the bill under the 5-minute rule.

Mr. SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON of North Carolina. Mr. Speaker, I requested this time to speak on the rule for the reason that it is not my purpose to discuss the bill when it is under consideration in the Committee of the Whole. I prefer that the time available for debate in the Committee of the Whole be used by the author of the bill, the distinguished gentleman from Missouri [Mr. BELL], and members of our committee, especially members of the subcommittee who desire to speak and who are perhaps more familiar with the bill than I. Therefore, I ask that any questions that may be in the mind of any Member with respect to the provisions of the bill be withheld and be directed to those who discuss the bill when it is under consideration in the Committee of the Whole.

The bill H. R. 5856 was reported by the Committee on Ways and Means after long, laborious, and painstaking consideration. It has the unanimous report of that committee, which is something most unusual, especially on a bill that might be so controversial.

I hope you have all read the report, because it is a full and complete explanation of the bill, more so than any member of our committee would have any time to make. The first paragraph of the report more succintly sets forth the purpose of the bill that I could do if I were to take perhaps half a day, I will read from the first page of the report of the committee:

The primary objective of this bill is the establishment of mutually advantageous trade relations between the United States and the Republic of the Philippines for a period of 28 years following the latter's independence on July 4, 1946. It is designed to provide incentives for the rehabilitation and development of the productive capacity of the war-ravaged islands and to provide stability to future commerce between the two countries. The principal matters dealt with are:

1. Customs duties on a reciprocal basis, preferential as against all other countries.

2. Establishment of quotas on the imports of certain Philippine products.

3. Reciprocal nondiscriminatory treatment in the field of taxes.

4. Adjustments in the immigration laws of both countries to meet the pressing needs of the immediate future.

5. Protection of United States citizens and American business enterprises, regardless of form, against discriminatory treatment.

No piece of legislation acted upon and reported by the Committee on Ways and Means has had more earnest, painstaking, and careful consideration, both as to its objectives and the manner in which it was drafted, than the bill which is now before us. We have steered clear of any thought or feeling of partisanship. I pay tribute to the able chairman of the Committee on Insular Affairs, the gentleman from Missouri, Hon. C. JASPER BELL, author of the bill, and to the Honorable Paul McNutt, United States High Commissioner to the Philippine Commonwealth, and to their advisers, for the invaluable assistance they have rendered to our committee in the consideration and preparation of this bill. They have given diligent and wholehearted cooperation in the preparation of the legislation. Also, we had invaluable assistance from various departments of Government, from Mr. E. G. Martin, general counsel, and Mr. Paul Burnham, Chief of the Sundries Division of the Tariff Commission; from the State Department, the Treasury Department, the Interior Department, and the Agriculture Department, and the Commerce Department. I would also pay tribute to the Legislative Counsel, Mr. Beaman, without whom I do not believe we could have gotten this bill out at all; and if we had, it would not have carried out the purposes that we had in mind. If there is a man who holds a position in the United States Government who is more efficient or more capable, more earnest, or more conscientious and diligent in the discharge of his duties than Mr. Beaman, the legislative counsel, I have never made his acquaintance. The majority members, as well as the minority members, of the committee, as I have said, cooperated wholeheartedly. May I also, in passing, pay tribute to the subcommittee headed by the distinguished gentleman from Michigan [Mr. DINGELL], and the gentleman from Arkansas [Mr. MILLS], the gentleman from Georgia [Mr. CAMP], and the gentleman from Virginia [Mr. ROBERTSON], of the majority; and the gentleman from Ohio [Mr. JENKINS], the gentleman from Pennsylvania [Mr. SIMPSON], and the gentleman from Nebraska [Mr. CURTIS], of the minority. They worked earnestly and diligently and rendered invaluable assistance and service in the preparation of the bill. The first I heard about this legislation was a letter from the President emphasizing the importance and need for it and saying that time was of the essence. The reason that we have been so long in getting out the bill was that it was so

difficult, first, to establish a policy which we considered would be fair to the Government of the United States and the government of the Philippine Islands. Further, it was most difficult to draft the bill in a form that would carry out the purposes and intent of those who are interested in the legislation.

It is evident that the Philippines must have this reassuring and stable trade arrangement with the United States if they are to reestablish their economy and remain independent. We offer to the Philippines concessions we have never given to any other nation. Likewise, we require assurance from the Philippines that will protect and preserve American interests.

Under existing law the political sovereignty of the United States over the islands terminates on July 3 next, at which time, in the absence of special legislation, full tariff duties will be levied against Philippine products coming into the United States. Such a sudden increase to full duties would effectively prevent the importation into the United States of several Philippine commodities which have in the past occupied a major place of importance in the Philippine-American trade. We seek to cushion the shock of this abrupt transition by the enactment of this bill.

A definite yardstick is laid down by which the Presidents of both countries may enter into an executive agreement embodying the specific provisions as set out. The bill further provides a method under which the statutes necessary to put these specific provisions into effect will be in force as of the time of the taking effect of the executive agreement, and also to govern the period from the enactment until the date of the independence of the Philippines.

The bill represents a new approach to the problem of adjusting trade relations between two countries. Your committee did not have the benefit of other legislation of this type as a precedent on which to base its action. The legislation has, therefore, been approached with caution. Every section has been carefully analyzed and studied. The bill has been drafted with meticulous care. It is a work of precision. The provisions are so highly technical and so interwoven that any amendments could result in long delay, and, therefore, should be avoided. Again, in the words of our President, "Time is of the essence."

While the bill will be open for amendment, it has been so carefully considered by our committee and represents the best judgment of the committee, after long and laborious consideration, that I trust there will be no amendments adopted to the bill, as it is so involved and so intricate, and so difficult to draft, that any amendment, unless it were considered by the experts who wrote the bill and analyzed by the legislative counsel, might not carry out the purpose and desire and might defeat the very purpose for which it was intended.

Finding the Philippines prostrate economically, as an aftermath of war in which she suffered untold hardships, it is incumbent upon us to give her a breathing space in which to plan and organize the transition of its national economy from complete dependence on the American market to independence of tariff preferences in the United States. The bill is designed to accomplish that purpose by allowing 8 years free trade and a further period of 20 years with graduated increase of duties so that at the end of 28 years she will have been adjusted to a world rate of duties and then be able to stand on her own.

I believe if the bill is enacted into law its objective will be accomplished and both the United States and the Philippine Republic will be mutually benefited.

(Mr. DOUGHTON of North Carolina asked and was given permission to revise and extend his remarks.)

Mr. COOPER. Mr. Speaker, at the request of the chairman of the Rules Committee, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

EXTENSION OF REMARKS

Mr. REED of New York asked and was given permission to extend his remarks in the Appendix of the RECORD and include an editorial.

Mr. BUFFETT (at the request of Mr. MICHENER) was given permission to extend his remarks in the Appendix of the RECORD in two instances, and in each to include an editorial or newspaper article.

Mr. SABATH asked and was given permission to extend his remarks in the RECORD in two instances and include in one an editorial and in the other a letter and an article.

SPECIAL ORDER GRANTED

Mr. MICHENER. Mr. Speaker, I ask unanimous consent that on Wednesday next the gentleman from Vermont [Mr. PLUMLEY] may address the House for 25 minutes following the legislative business of the day and the special orders heretofore entered for that day.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

PHILIPPINE TRADE ACT OF 1946

Mr. DOUGHTON of North Carolina. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 5856, with Mr. ZIMMERMAN in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 30 minutes to the distinguished gentleman from Missouri [Mr. BELL], the author of the bill.

Mr. BELL. Mr. Chairman, I would like to make a general statement, and in the meantime I will appreciate it if I am not asked to yield. When I have finished my general statement, I shall be pleased to yield.

It has now been some 6 months since I drew the first bill asking for a general trade program between the Philippines and the United States of America. This bill was introduced after conferences with the Secretary of State, and other officials of the Government. From that day on to the present time it has been under consideration by the distinguished Ways and Means Committee.

The delay in bringing this bill to the floor of the House certainly is not even in the remotest or slightest measure chargeable to that committee. In all the years I have served as a Member of this body I have never seen a committee give more devoted effort or work harder than the distinguished chairman and the members of that committee. I want to take this opportunity to thank that committee for its repeated and many kindnesses and courtesies shown to me during the entire consideration of the bill. As the distinguished chairman of that committee has said, there was never at any time any bit of partisanship which came into the consideration of the bill. I felt proud of my fellow Members of Congress as I saw that committee bending its energies and setting its intellects to the doing of a thing which will mean much to this country and to the peoples of the world.

And I do want to pause for a moment to pay tribute to the distinguished counsel to that committee, Mr. Beaman. For many years I practiced law and spent some years upon the circuit bench and I believe I have never associated with a lawyer who had a keener appreciation of the fine legal points involved or who had had a wider experience in the thing that he was trying to accomplish, and so I join with the chairman in paying tribute to Mr. Beaman.

As I look around today I see a number of Members of the House here who were with us when we went to the Philippines in the fall of 1935. At that time a delegation from this House, from the Senate, and from the press of this country visited the Philippines upon the event of the inauguration of President Quezon. I shall never forget that morning as we steamed into the harbor of Manila. The entire harbor on that quiet summer morning—at least it seemed summer to us who had come from this part of the country—the whole harbor was filled with boats of every size from the greatest battleship of our Pacific Fleet down to the smallest rowboat, and I believe every boat had some sort of band or orchestra on it. We docked, and as we moved from the dock to the Manila Hotel we saw more people than I had ever seen in my life. Literally tens upon tens of thousands of Filipinos rejoicing and doing honor to the United States of America because of the things we had done for them had turned out to greet us. For the first time, perhaps, in all the history of the world a great and powerful nation had taken a subject nation and had given the people of that nation roads, education, liberty, freedom, a government of their own. Those people felt grateful to this country. From then on we have given them free trade. I saw prosperity about me as we drove down

those wide sweeping boulevards and avenues in that beautiful city. We looked about us and saw those fine, dignified public buildings. We went to the fine old Malacan Palace, we went over and saw the beautiful churches that had withstood the storms of four centuries standing there serene and dignified in their beauty. We saw about us a gallant and a cultured people, a people who loved liberty, a people who had an understanding of democracy as we understand it here in America, a people who are the outpost of Christianity in the Orient. I could not help but pause for a few moments and give you that picture that comes back to us here so vividly today.

Mr. Chairman, after the devastation of the worst war the human race has ever known, there is not a spot on the face of the earth where the devastation, the destruction, has been so complete and so terrible as it has been in the cities of the Philippine Islands. Manila has been blown to pieces. Not only has the physical destruction been great there but the Philippine trade has been destroyed. Eighteen million people are over there almost at the point of starvation. As the able and distinguished High Commissioner from the Philippines the Honorable Paul McNutt said a few days ago, everything over there is in a state of suspended animation. Those people are waiting on the passage of this bill.

The great interests that have conducted the business of those islands, the major businesses, such as sugar, copra, coconut oil, tobacco, and a dozen other businesses that could be named, have been unable to proceed with the reorganization of their business. Because our trade laws have been more or less in chaos, they have not known on what basis they could proceed. They have not been in position whereby they could go ahead and rehabilitate their factories, their sugar centrals, their mills. The people of the islands have been unable to know what they could do. Unemployment is on every hand.

So, Mr. Chairman, this bill today is the first great major step toward the rehabilitation of the trade of the world. This is a great step toward the rehabilitation of the world economy in a world torn and devastated and disorganized by the worst war in history.

This bill provides a plan of trade equally beneficial to the people of the United States and to the people of the Philippine Islands. No bill is satisfactory to everybody, but I believe that this bill is as nearly satisfactory to the people of this country and the people of the Philippines as any bill could be. It provides for trade along broad and generous lines, free trade, if you please, for 8 years; then after that 8-year period for an additional period of 20 years we start levying a tariff at a rate, first, of 5 percent of what the world's tariff is (5 percent of the lowest tariff we charge any foreign power); then we step it up 5 percent a year for 20 years until at the end of 28 years the Philippines will pay the same tariff that any other foreign nation pays.

Mr. Chairman, if this bill is adopted as it has been worked out painstakingly after weeks and months of toil, I firmly believe it will mean prosperity not only to the Philippines but in very large measure it will lend to the prosperity of the people of the United States.

I wonder how many of us here realize that prior to this devastating war the Philippines were our sixth best customer. I wonder how many people from the South, those who represent districts where cotton is king, realize that the Philippines for years before the war was the best customer that the cotton industry had outside the United States. I wonder how many Members who represent districts up in old New England or down in those sections of the South that are turning out cotton fabrics realize that the Philippines was your best customer before the war. I wonder how many of you realize that before this war more than $10,000,000 worth of cotton fabrics went to the Philippines every year. Wherever on the map of the United States you see the smoke stacks of the steel mills blackening the skies with their belching smoke, the people of that community have a stake in this bill, because this bill means that you are restoring the best customer across the seas that the United States has had for its steel products.

Tobacco is mentioned in this bill. It provides a quota on tobacco. I wonder how many people from the tobacco-raising regions of this country realize that almost twice as much tobacco was shipped from here to the Philippines as the Philippines shipped to the United States. I would like to say also a word to the farmers of the Middle West, from where I come. Every farmer toiling in the blistering sun in the Middle West has a stake in this bill, because until the war destroyed the economy of the Philippines, the Philippines was the best market we had for flour. It was the best market we had for corn meal. It was the best market we had for a lot of other products that we manufacture.

As has been stated, this bill fixes certain quotas. The great industries of the Philippines which are in competition with the great industries in the United States have been well taken care of in this bill. Take the sugar industry. It has a fixed quota beyond which the Philippines cannot ship to us; a quota of 850,000 short tons.

Mr. CANFIELD. Mr. Chairman, will the gentleman yield?

Mr. BELL. I yield to the gentleman from New Jersey.

Mr. CANFIELD. Having personally observed the great destruction in the Philippines in recent days, and having in mind the great need of rehabilitation, I rise to ask this question. When we do business with Cuba in purchasing sugar, a ton of sugar is a long ton. Will the gentleman explain to the House why, in referring to this new treaty act of 1946 with the Philippines, a ton of sugar is a short ton?

Mr. BELL. May I say to the gentleman that starting in on this bill 6 months ago I wanted free trade for 20 years. I wanted them to ship everything in here. I think the Filipinos are a great people. I think they are one of the great peoples of the world; a lovable and kindly people, and all that, and I was in favor of letting them ship in everything they wanted to. But, I have learned in all of my years in Congress that legislation is a matter of compromise, of working out something that is for the benefit of everybody. We have divergent interests in this country. Personally, I would rather see the Philippines have a preference over everybody beyond the continental limits of the United States, but in the wisdom of this great committee I know that they are sincere in believing that it should be written as it is, although personally I do not agree with it. But the bill is here, and I think the interest of the Philippines and the interest of the people of the United States lie along the line of adopting this bill as it has been written. I think it is a workable bill and, while I would have been in favor of more liberal treatment, I still think that we ought to pass this bill like it is written.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. BELL. I yield to the gentleman from Arkansas.

Mr. MILLS. As one member of the committee who had some concern about the sugar allotment and whether or not it would be long tons or short tons, let me call the attention of the gentleman from New Jersey to the fact that the Sugar Act speaks of sugar in terms of short tons and not long tons.

Mrs. ROGERS of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. BELL. I yield to the gentlewoman from Massachusetts.

Mrs. ROGERS of Massachusetts. I think it is extremely important in every way to help the Philippines and also to knit more closely the bond that is between us at the present time. The gentleman from Missouri [Mr. Bell] and the committee deserve great credit, and also the Commissioner from the Philippines, the great soldier, statesman, and orator, General Romulo, for their fine work. Can the gentleman tell me if any representatives of manufacturers or farmers appeared before the committee to give testimony?

Mr. BELL. I have not read all of the hearings before the committee. I will let some member of the committee answer that question. They will be very glad to do so, I am sure.

Mr. CANFIELD. If the gentleman will yield further, following up my inquiry, may I say to the gentleman from Arkansas it is also my understanding that in our agreements with the Philippines we have always done business in long tons.

Mr. MILLS. The gentleman is correct.

Mr. CANFIELD. In other words, we are short-tonning and short-changing them now.

Mrs. ROGERS of Massachusetts. Can the gentleman from Arkansas answer my inquiry?

Mr. MILLS. If the gentleman will yield, I will say to the gentlewoman that the committee did not hold what are ordinarily considered open hearings. We did have hearings in so-called executive session, and the remarks were taken down by the stenographers. The gentleman from New York [Mr. Reed] and I were appointed by the chairman as a committee to call to the attention

of all who might be interested in the bill the fact that we were holding hearings, and the people referred to by the gentlewoman did not come before the committee.

Mrs. ROGERS of Massachusetts. But they had notice that you were having the hearings, so if the manufacturers or the farmers wanted to appear they could do so?

Mr. MILLS. They could appear; yes.

Mr. BELL. The matter of the quotas was worked out very largely along the lines that they have been standing for the last decade and more. Some changes have been made. The quota on sugar is a little less by reason of substituting the short ton for the long ton. If I had been on the committee I would have voted against it; I would have made the long ton longer. Despite that, I think the bill is a good bill, and I believe that if we pass this bill and do it promptly it will open up a golden stream of commerce between this country and the Orient, that will mean a tremendous advance in the prosperity of this country and the prosperity of the Philippines.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. BELL. I yield to the gentleman from New York.

Mr. REED of New York. Quite a little has been said here in regard to the long ton and the short ton, and about shortchanging the Filipinos. I do not wish to have that implication to remain unchallenged. I for one claim to be a friend of the Filipino people. What I have been interested in is not to have a quota so large that monopolistic concerns will go there and monopolize the large sugar area and make peons out of the Filipinos. They are an educated, cultured people, and are becoming more so rapidly under their school system. The thing that is necessary for them as a sovereign nation is an opportunity to diversify, and not let a few monopolies go in and then grind them down. There is no Fair Labor Practices Act over there, as there is in Puerto Rico. I claim that the persons who have cut this quota down where it is now are the real friends of the Filipino and are looking to his future development in a diversified area.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. BELL. I yield to the gentleman from California.

Mr. HINSHAW. I think the gentleman is quite highly complimented by the Committee on Ways and Means inviting him to introduce the bill, and I think the gentleman well deserves that confidence. May I inquire concerning section 231, having to do with immigration. Before doing so, may I say that I am delighted to see that provision has been made for a liberal interchange of citizens between our two countries. The gentleman knows very well that we have a great many Filipinos residing in my State of California, and they make excellent citizens. I do not quite understand section 231, which, according to the committee report, grants to a Philippine citizen who actually resided in the United States for a period of 3 years immediately prior to November 30, 1941, the right to enter the United States as a nonquota immigrant during the 5-year period beginning July 4, 1946. The gentleman knows very well that on December 7, 1941, a war was started against us. I do not see how a person of Philippine citizenry who was not in the United States for some period, say several months before November 30, 1941, could qualify under this provision for reentry into the United States.

Mr. BELL. I might say to the gentleman there were quite a number of Filipinos on the west coast who had been living here and who left the United States to enter the armed services to help fight in our behalf, side by side with our soldiers to help win the war. That is the reason it was felt to be fair and just to give them a chance to come back to the United States and resume their situation as it was before the war. I might say the same provision applies to American citizens who left here to go to the Philippines and who had been in the Philippines for 3 years prior to the war.

Mr. HINSHAW. The thing that confuses me in the matter is that it says "any citizen of the Philippines who actually resided in the United States for a continuous period of 3 years immediately prior to November 30." Are you speaking there only of those who served in the United States Army after December 7 or after November 30?

Mr. BELL. No; the text speaks for itself. But that was one of the main purposes in putting that in.

Mr. HINSHAW. Suppose that man had gone back to the Philippines on a visit, say on the 1st of October and had arrived in the Philippines on the 20th of October or some such time as that, which would be before the 30th of November, and he had resided 3 years in the United States prior to his return, perhaps to visit his family. Would he not be permitted to reenter the United States?

Mr. BELL. He has the same right as our citizens have in going over there. It is a mutual arrangement.

Mr. HINSHAW. That is a technical question because there is a certain amount of visiting between the two countries. If someone can answer that question, I wish they would, because I would not want to preclude them from returning here, particularly if they had set up a status here which was entirely satisfactory to the United States.

Mr. BELL. If I may continue with my general statement, section 341 contains provisions for nondiscriminatory treatment of Americans who go to the Philippines to do business. While, offhand, that might be considered as giving some undue advantage to an American going into the Philippines, I point out that that was one of the first things about which I conferred in connection with this bill, even before the bill was filed. I pay tribute to the distinguished and farseeing statesmanship of General ROMULO, the Resident Commissioner of the Philippines, and to the other statesmanlike representatives from that country who saw and realize what the Philippines need now is capital in great quantities in order that she may be rehabilitated, and rehabilitated quickly. Of course, just like every American, every Filipino is a Filipino first just as Americans are Americans first. They are our friends and they trust us. We are their friends and we trust them. It was for the purpose of making it possible for great amounts of capital to go into the Philippines that the suggestion in part came from the Filipinos themselves that certain safeguards be thrown around American capital so that American capital would know that in going into the Philippines, Americans would receive exactly the same treatment that any citizen of the Philippines would receive in doing business and conducting their affairs. I think that provision of the bill is going to do a great deal to implement the prosperity that will come to both countries as the result of the passage of this bill. A century and a half ago, Napoleon Bonaparte stood upon the sands of the Sahara before the great pyramids with his legions drawn before him and said to those veteran soldiers, "Men of France, 40 centuries look down upon you today."

I want to say to you that the eyes of the world are upon you today and this week as we consider this bill. It is a bill which holds out the hand of friendship and cooperation to a great and friendly country across the seas. It not only means friendship and prosperity to that country over there, but it means this: The eyes of the world are wanting to know how we treat the Philippines; the teeming millions of China want to know that; the people of Burma want to know that; the little countries of Europe want to know how the United States treats the people of the Philippines. They want to know whether our boasted words of brotherhood for all men and of fairness in international dealings, the good-neighbor policy, are sincere, and whether we mean those things or whether we do not. If we mean them, let us pass this bill which, I believe, is a constructive bill and means prosperity to everybody.

The CHAIRMAN. The time of the gentleman from Missouri [Mr. BELL] has expired.

Mr. COOPER. Mr. Chairman, I yield 20 minutes to the gentleman from Virginia [Mr. ROBERTSON].

(Mr. ROBERTSON of Virginia asked and was given permission to revise and extend his remarks.)

Mr. ROBERTSON of Virginia. Mr. Chairman, in our war against Japan the people of the Philippines were our loyal friends and courageous allies. They rendered to us assistance that hastened the end of the war and saved the lives of thousands of American boys. Deeply resenting their loyalty to us, the Japanese, with a mad and senseless fury, laid waste their land with fire and sword. The death march of Bataan is symbolic of their treatment of the Philippine people; the rubble and ashes of Manila of the destruction wrought against Filipino property. No nation engaged in the war suffered more than the Filipinos and in no war area was the destruction of property more thorough and complete. It would appear that the Japanese sought to make an object lesson of the Filipinos by which the people of the Orient might be taught

to remember that friendship with the United States did not pay.

In the passage of the pending bill, the House will have the happy privilege of demonstrating not only to the Orient but to the entire world, that friendship with the United States does pay and that with us the payment of a debt of gratitude is a categorical imperative.

In this bill for a reciprocal trade program between a former ward and ourselves, we shall undertake to restore the Philippine Islands to the degree of economic stability which they enjoyed previous to the losses suffered in the war.

That situation differentiates this measure from all of our other trade treaties and agreements. We are dealing not with foreigners but those who for many years have been our wards. In keeping with our democratic principles we desired for the Filipino people to have their freedom as soon as they were in a position to stand alone. As a member of the House Insular Affairs Committee I helped to draft some years ago a bill creating for the Philippine Islands a commonwealth state, providing for a period in which we would teach them, so to speak, to walk alone. Full independence was to be granted on July 4, 1946, and we intend to carry out that program. But the most devastating war in history has completely changed the picture for the Filipino people. Their homes, their farms, their factories have been destroyed. The rehabilitation program will be a long and tedious one. Hence, we propose to give them a limited period of free trade and then a longer period of graduated import duties. That proposal does no violence to our fundamental most-favored-nation principle because, as indicated, we owe a duty to the Filipinos that we do not owe to the people of any foreign nation. Neither does the provision for quotas in the pending bill do violence to our fundamental position that trade between independent nations shall not be controlled by quotas. The quotas imposed on Filipino exports in the bill are not for the purpose of controlling trade but merely for the purpose of limiting the concessions we propose to make to these former wards. No one, therefore, will be justified in drawing the inference that the pending bill is not in complete harmony with our reciprocal trade agreement program, or that it indicates any intention whatever on our part of discriminating in our trade relations against any other country in the world. If further proof of that fact be needed it will be found in the bill recently passed by the Senate providing for an outright grant of money to the Philippine government for purposes of restoration. Other nations may come to us asking for loans for rehabilitation purposes but no other nation could come to us for financial help on an equal footing with the Filipinos. To concede that fact is to concede the justice and appropriateness of the pending trade bill, the essence of which is to enable the Filipinos to help themselves—the best type of help to give to either a person or a nation.

The pending bill proposes to continue for 8 years from July 4, 1946, the date on which the Philippine Commonwealth will become an independent nation, the present basis of free trade between the United States and the Philippines. Commencing on July 4, 1954, 5 percent of our import duties shall be collected on Philippine exports and annually thereafter the rate will be increased an additional 5 percent, resulting in the full imposition of our import duties on Philippine exports at the end of the 28-year period. Exports of American goods to the Philippine Islands shall be provided for by an executive agreement, to be negotiated by the President of the United States with the President of the Philippine Islands, guaranteeing the same treatment of our goods by the Philippine government as we extend to it.

The bill provides for quotas on sugar, cordage, coconut oil, cigars and scrap, stemmed and unstemmed filler tobacco, rice, and buttons. Those items, while competitive in theory, in effect supplement our domestic economy. We import about two-thirds of all the sugar we use, and will always be an importer of that essential food. We produce no coconut oil and most of the imported coconut oil will be used primarily by our soap industry and will remain subject to the processing tax of 3 cents per pound. The small amount of edible coconut oil which will be included in the quota will continue to pay the present excise tax and our bakers and candy manufacturers need that product. Imports of the other products under quotas will not materially affect our economy because the quantities will be so small.

Commencing with the calendar year of January 1, 1955, there is to be some reduction in the quota of cigars, scrap tobacco, coconut oil, and buttons. The bill stipulates that all products shipped to us directly or indirectly from the Philippines shall be Philippine products as defined by our Tariff Act, which is to say that 80 percent or more in value of the article must be of Philippine origin. That provision will protect us from oriental imports that do not originate in the Philippine Islands.

The bill provides that the United States shall not impose upon articles from the Philippines, nor the Philippines impose upon articles from the United States, internal taxes, fees, or other charges higher than those imposed upon like articles of national origin or of any foreign origin. In other words, the benefits from the reciprocal trade arrangement are protected from being impaired by discriminatory taxation.

In the postwar era it is contemplated that we will have major military installations in the Philippine Islands. All materials for such purposes shall enter the Philippine Islands free of duty.

Another section of the bill guarantees to citizens and corporations of the United States doing business in the Philippines the same rights as to property, residence, and occupation as citizens of the Philippine Islands, and also carries suitable provisions that will enable, from the standpoint of legal residence, our citizens to do business in the Philippines and the Filipinos to do business here.

The bill provides for a continuation of the present rate of exchange between Philippine currency and that of the United States dollar, and prohibits the Philippine Government from imposing any restriction on the transfer of funds from the Philippine Islands to the United States.

As previously indicated, the Government of the Philippine Islands will change from that of a commonwealth to an independent nation on July 4 next. Therefore, the bill authorizes the President of the United States to enter into an executive agreement with the President of the Philippine Islands after that date to carry forward the provisions of the bill, with a stipulation that concessions granted by us shall be terminated unless the new Philippine government carries out its part of the agreement. There is a further safeguard for termination of our concessions in the event, at any future date, of default on the part of the Philippine government.

The bill we are presenting to you today is the result of months of hard labor by those well versed in the subject of trade between the United States and the Philippine Islands. The necessity for this action was urged upon our committee by a strong letter to our chairman from President Truman. The bill has been endorsed by the State Department, the Treasury Department, and by the Department of Agriculture. It is likewise endorsed by our High Commissioner to the Philippines, the Honorable Paul McNutt, and by the duly constituted representatives of the Philippine Commonwealth government. The present draft of the bill is the fourth draft introduced by our distinguished colleague, the gentleman from Missouri, JASPER BELL, indicating the great care with which every provision in the bill has been scrutinized, analyzed, and perfected. I would not, of course, claim that we yet have a perfect bill, nor would I claim that it satisfies 100 percent all of the many and, at times, conflicting interests involved. Where conflicts have developed, and, frankly, some of our Philippine friends felt that we had not gone far enough in their behalf, we have adjusted those conflicts on as fair and as equitable a basis as we knew how.

For the first time in our national history we are granting complete independence to a former possession. That is a unique situation and there is no precedent for us to follow in providing for the transition. The difficult task has been made more difficult by the ravages of the war in which the Filipinos participated before they became an independent nation. It is a cherished maxim of Anglo-Saxon jurisprudence that there is no wrong without a remedy. By the same token, there must be no just claim upon us which we are unwilling to meet. The Filipinos have a just claim upon us which I believe is fully recognized both here and abroad. In this bill and in the bill which recently passed the Senate for war damage payments we are endeavoring to meet and satisfy that claim. The bill to make a money grant to the Filipinos may be described as an act of justice, implemented by generosity. I would characterize the pending bill as an act of justice implemented by an enlightened self-interest.

With the exception of rice, there is nothing we may reasonably expect to im-

port from the Philippines that we do not need. If we subjected those imports to full tariff duties the net result would be that the American consumer would have to pay a higher price for them. Even the farmers of the Hawley-Smoot tariff, who overlooked no opportunity to impose duties upon competitive imports, did not see fit to impose a duty upon manila fiber, which our cordage manufacturers largely use in the manufacture of binder twine and the best quality of rope. And we also knew that the Filipinos use the major part of the dollars they receive for Philippine exports to us in purchasing goods that are manufactured in this country. It would be idle to assume that the Filipinos would continue to buy our automobiles, our electrical equipment, and our steel products of every kind if unable to secure American dollars through the sale of their products to us.

A broader aspect of the enlightened self-interest involved in this problem was aptly stated in a recent speech by the former High Commissioner to the Philippines, Hon. Francis B. Sayre, when he said:

> In a strongly rooted independent Philippine Nation America has a crucial stake. For over 40 years we have been at work implanting in the Filipinos our ideas of individual liberty and the democratic way of life. Their success means our success in furthering American ideas and ideals throughout the strategic East.

Throughout the Orient our ideals are being challenged by communism. The challenge of an idea cannot be successfully met by force. The Roman Legions could put to death St. Peter and St. Paul, but could not kill the truth they preached. We have taught the Filipino people our principles of democracy. In the survival of those teachings we have a crucial stake. If they are to survive in the Philippines, they must have economic as well as political independence. Ever since we took the Philippines from Spain their economy has been geared to ours. They cannot survive economically without access to our markets.

And it will pay us to remember that while we gained our own political independence by force, we did not secure our economic independence in that way. Prior to the Revolutionary War our economy was geared to that of the mother country. After we gained our independence that relationship continued. For many years our tobacco, at first our principal export, entered Great Britain free of duty. Then cotton became our principal export, and meant as much to the South as sugar does to the Philippines. Great Britain has never taxed our cotton. Throughout our national history the country from which we separated has been our best customer. We have been the best customer of the Philippines, and there are sound reasons for our continuing to be.

From every standpoint—whether it be that of enlightened self-interest, or gratitude to those who have helped us in war, or just plain sympathy for those who have suffered and are unfortunate—this bill to help bring about the economic independence of the Philippine Nation should commend itself to every Member of this House.

Mr. REED of New York. Mr. Chairman, I yield myself 30 minutes, and I ask unanimous consent to extend my remarks and include a statement.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. REED of New York. Mr. Chairman, this is a great day in the history of this Republic and in the history of a Republic about to be born. This is one of the most monumental pieces of legislation that has come before this Congress in perhaps half a century or longer. I am very glad to take the floor today in support of this bill which is to underwrite the economic security of a nation to be born on July 4, 1946.

I am taking the floor in support of the Philippine trade relations bill, H. R. 5856. The Philippine group of 7,000 islands and islets, 11 of which are comparatively large, has an area approximately equal to that of the British Isles or Japan. The population is an estimated 13,000,000. Luzon and Mindanao are the two main islands, each as large as a State like Indiana.

The record made by the Philippines under the tutelage of the United States is one glorious record of achievement. According to the 1939 census Philippine literacy had reached 48.8 percent. The rate in 1903 was approximately 10 percent. We know that India, long under British rule, is still abysmally poor, squalid, and diseased, but such was not the record of the Philippine people until the invasion of their islands by the Japanese.

The fact that the Philippine Islands have outstanding educational institutions gives assurance that representative government under the new constitution will not suffer as a result of nation-wide illiteracy. It is most encouraging to know that among the special government institutions of this new nation will be the normal school, the school of arts and trades, the nautical school, and the Central Luzon Agricultural School. There will be provincial trade schools. Higher learning will be provided by the state-supported University of the Philippines, Manila, and the Dominican University of Santo Tomas—founded 1611. Manila has six other universities, including one restricted for women. The Silliman University, in Drumaguete is maintained by the Presbyterian Church of the United States.

If ever a people earned their right to be free and sovereign, it was after the display of their unsurpassed heroism in defense of their native land in the Japanese War.

This new nation to be born July 4, 1946, will have a land area sufficient and fertile enough to eventually support a sound economy. The same courage, fortitude, faith, and unity of the Philippine people in support of their government and their institutions under an independent sovereign nation as they evidenced in war will assure them of success.

In establishing future trade relations between a sovereign nation and a dependency that is to become a sovereign nation, which is the primary purpose of the pending bill, no precedents were available to follow. In drafting a bill to provide the basis for such relations it was therefore necessary to invent a method by which it could be accomplished.

In general, this would be accomplished in the proposed bill by authorizing the President of the United States to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of certain conditions and obligations which would become part of the statutory law of each country. Generally, the proposed bill sets forth in complete detail all of the conditions and obligations that will be required by each party under the agreement. This obviates the necessity of long and protracted negotiation between the two countries to arrive at satisfactory terms. The single exception to this concerns the matter of determining the number of United States citizens that may enter the Philippines in addition to those who may enter under the nonquota status. This determination must be made by negotiation between the two countries. When and if this bill is enacted, it will become the United States statute embodying these conditions and obligations on the part of the United States. The bill requires that before the executive agreement could become effective the Congress of the Philippines would also have to enact legislation not only accepting the agreement but enacting the laws that would put into effect the defined terms of the agreement.

Specifically, title IV of the bill, which is the keystone of the arch, authorizes the President of the United States to enter into an executive agreement with the President of the Philippines. In this title are stated in definite terms the obligations of each country with respect to the agreement and specific provision for its termination and interpretation.

Title II covers the obligations of the United States in connection with the agreement which become law upon enactment. In general the conditions and obligations provide duty-free entry of Philippine articles into the United States for a period of 8 years up to July 3, 1954, and for the period July 4, 1954, to July 3, 1974, provide for a graduated duty on Philippine articles entered into the United States based on an annual increment of 5 percent of the lowest rate of duty accorded by the United States to any foreign country—now Cuba—the statutory rate in 1930 Tariff Act, less 20 percent.

The purpose of basing the graduated duty upon the Cuban rate is to accord the Philippines the same preferential treatment now accorded to Cuba. Thus, in the period from July 4 to December 31, 1954, the duty on imports of Philippine articles would be 5 percent of the duty we then assessed on like Cuban articles, it would be 10 percent and so on until by July 3, 1974, the duty would be 100 percent of the Cuban duty. After July 4, 1974, the duty that would be collected

on Philippine articles would be the regular world rate.

Other obligations and conditions accepted by the United States under title II would be: To provide equality in import duties and to establish absolute quotas on the principal commodities exported from the Philippines—sugar, cordage, rice, cigars, scrap tobacco, coconut oil, and buttons; in addition to the absolute quotas on cigars, tobacco, coconut oil and buttons, duty-free quotas are established providing for free entry of an amount reduced by 5 percent annually each year from 1955 to 1974. Imports in excess of the duty-free quota on these products would pay the full Cuban rather than graduated duty. One of the important provisions of title II is that in addition to establishing absolute quotas on imports from the Philippines, it also provides for the allocation of such quotas, throughout the period of the agreement, to manufacturers and producers who were in business in the Philippines in the calendar year 1940. Provision is also made for the transfer and assignment of quota allotments, equality in internal taxes and certain provisions for granting nonquota Philippine citizens entry into the United States.

Title III sets forth the terms and obligations that the Philippines must incorporate into their law prior to the date of the effectiveness of the Executive agreement. In general, title III parallels title II with respect to tariff preferences and nondiscriminatory taxation. In a statement of purposes of the title, it is made clear that in stating precisely the terms of the provisions of the agreement in statutory form, it is not intended to appear as an attempt on the part of the United States to legislate for the Philippine Republic. United States citizens and all forms of business organizations will be accorded the same rights as Philippine citizens in owning, and developing agriculture, timber and mineral lands of the public domain as well as in operating public utilities. In this connection, provision is also made in the bill that the President of the United States may suspend or terminate the agreement if it is found that the Philippine Government is discriminating in any manner against citizens of the United States or any form of United States business organization. Title III also imposes a condition upon the Philippines of maintaining the value of Philippine currency in relation to the United States dollars and that the convertibility of pesos into dollars shall not be suspended and that no restrictions shall be imposed on the transfer of funds from the Philippines to the United States except by agreement with the President of the United States.

Title V provides for miscellaneous matters. Important among these is the provision that, after investigation by the Tariff Commission showing that Philippine articles are coming or are likely to come into substantial competition with similar United States articles, the President may impose additional quotas upon imports of such articles.

The underlying philosophy of the bill insofar as specific tariff concessions to the Philippines are concerned, is to insure that the benefits provided for in the bill shall be enjoyed exclusively by articles the production of which will develop Philippine economy. To accomplish this the bill confines such benefits to "Philippine articles," which are defined to mean articles grown or produced in the Philippines, the value of which does not contain more than 20 percent of foreign materials. This means that articles produced or assembled in the Philippines largely from imported materials or products shipped through the Philippines from some other source are not eligible for any of the benefits provided in the bill.

Insofar as the domestic competitive situation is concerned, the bill establishes complete free trade for Philippine articles coming into the United States for a period of 8 years, ending July 3, 1954. Commodities shipped from the Philippines, which do not qualify as Philippine articles, will be dutiable at the regular world rates. Although duty-free trade would be continued for this period, absolute quotas are imposed on the following principal Philippine export commodities beginning with the calendar year 1946 and extending to July 3, 1974:

Sugar, 850,000 short tons; cordage, 6,000,000 pounds; rice, 1,040,000 pounds; cigars, 200,000,000; coconut oil, 200,000 long tons; pearl buttons, 850,000 gross; scrap and filler tobacco, 6,500,000 pounds.

All the foregoing quotas, except for cordage, apply to Philippine articles as defined. This means that if any of the enumerated articles should contain more than 20 percent, by value, of foreign or imported material, they would not come under the quota provisions but would be subject to the regular United States duty, not the rate on Cuban products. The cordage quota applies to Philippine products whether or not they come under the definition of Philippine articles. It would appear that imports of quota commodities not qualifying as Philippine articles would not be large; in being subject to full United States duty they would encounter difficulty in competing in the United States with Philippine articles which are accorded preferential treatment. It should be noted that for several of the articles for which quotas have been established, shipments from the islands over a long period of time have not equaled the quotas established by the bill.

In addition to the absolute quotas for Philippine articles, diminishing duty-free quotas would be established for cigars, scrap and filler tobacco, coconut oil, and buttons. Beginning with the calendar year 1955 each year the amount of the duty-free quota would be reduced by 5 percent of the absolute quota; for example, starting with a quota of 200,000,000 cigars, at the end of the free-trade period the duty-free quota for 1955 would be 190,000,000, and in 1956, 180,000,000 and so on until in 1973 the duty-free quota would be 10,000,000, and in 1974 there would be no duty-free quota on cigars. Thus, although the absolute quota of 200,000,000 cigars remains in effect throughout the period of the agreement, the amounts each year over and above the duty-free quota would be subject to the lowest United States duty accorded to any foreign country—now Cuba—and would not be subject to the graduated duties applicable to imports of other Philippine articles. The purpose of the duty-free quotas is to allow Philippine industry, over a period of 20 years, opportunity to make gradual adjustment so that by the end of the period it will have become accustomed to the United States duty and the transition would not have been drastic enough to cause serious injury.

The articles for which quotas are established represented, in prewar years, 80 percent of the total Philippine export trade to the United States. Other important exports to the United States in prewar years, amounting to about 14 percent of the total, were gold, embroideries, and timber and lumber products. Thus, with gold, embroideries, and timber and lumber products added to those for which specific quotas are established, over 90 percent of Philippine prewar export trade to the United States is accounted for. Of the remaining export trade—less than 10 percent—a large part was made up of fiber hat bodies, which are, largely noncompetitive, canned pineapples, cutch—a tanning and dyeing material—gums and resins, and vegetable lard. In addition to the foregoing, there are some Philippine products that might be considered as potential exports to the United States but which so far are largely undeveloped. These are principally chromium, silver, manganese ore and copper. Other Philippine products which have not been exported to the United States in the past or exported in only very small quantities include iron ore, maguey—fiber—margarine, and hides and skins.

One might conclude that some of these minor Philippine articles, not now covered by quotas, could, because of the preferences they will receive in the United States market during the period of the agreement, become serious threats to various United States industries. Furthermore, speculation might arise as to the possibilities of serious injury to domestic industry should the Philippine Islands become highly industrialized as Japan and flood the United States market with cheap manufactured articles. The bill provides adequate safeguard against such contingencies. Under the bill the President may, after investigation, impose quotas upon imports of articles other than those provided for. According to the intent of the bill, the Presidlent may take action if the investigation by the Tariff Commission discloses that Philippine articles are coming into substantial competition with like United States products, or if it is likely that there will be substantial competition.

THE DAIRY INTERESTS AND THE PENDING BILL

The pending bill proposes nothing that would change the existing position of coconut oil in relation to the dairy industry. The bill, in addition to continuing the quota on coconut oil, which was established in the Independence Act, also continues in effect the present processing taxes, and taxes under Internal Revenue

Code 2476, and so forth. These sections are as follows:

SEC. 2306. All oleomargarine imported from foreign countries shall, in addition to any import duty imposed on the same, pay an internal revenue tax of 15 cents per pound, such tax to be represented by coupon stamps as in the case of oleomargarine manufactured in the United States. The stamps shall be affixed and canceled by the owner or importer of the oleomargarine while it is in the custody of the proper customhouse officers; and the oleomargarine shall not pass out of the custody of said officers until the stamps have been so affixed and canceled, but shall be put up in wooden packages, each containing not less than 10 pounds, as prescribed in this chapter for oleomargarine manufactured in the United States before the stamps are affixed; and the owner or importer of such oleomargarine shall be liable to all the penal provisions of this chapter prescribed for manufacturers of oleomargarine manufactured in the United States. Whenever it is necessary to take any oleomargarine so imported to any place other than the public stores of the United States for the purpose of affixing and canceling such stamps, the collector of customs of the port where such oleomargarine is entered shall designate a bonded warehouse to which it shall be taken, under the control of such customs officer as such collector may direct.

SEC. 2327. Other laws applicable:

(a) Oleomargarine: The provisions of sections 2301 (c) (2), 2305 to 2311, inclusive (except subsections (a) (b), and (h) of section 2308), and section 3791 (a) (1), shall apply to manufacturers of adulterated butter to an extent necessary to enforce the marking, branding, identification, and regulation of the exportation and importation of adulterated butter.

SEC. 2356. Importation:

All filled cheese as defined in section 2350 (b) imported from foreign countries shall, in addition to any import duty imposed on the same, pay an internal revenue tax of 8 cents per pound, such tax to be represented by coupon stamps and such imported filled cheese and the packages containing the same shall be stamped, marked, and branded, as in the case of filled cheese manufactured in the United States.

In recent years the proportion of coconut oil consumed in making margarine has been relatively small largely because the high lauric acid content of coconut oil makes it a highly desirable material for soap making. Indicative of the trend in recent years in the consumption of coconut oil for making margarine is that in 1935 coconut oil comprised about 56 percent of all fats and oils consumed in making margarine, whereas in 1941 only 10 percent was used for this purpose, and in 1942 less than 1 percent. The use of coconut oil in soap making was greatly stimulated during the war for the reason that glycerin, so important in making explosives, is a byproduct of soap making but even before the war there was a decided trend toward a diminishing use of coconut oil for margarine.

PHILIPPINE TRADE ACT OF 1946 (H. R. 5856)

Title I. Short title and definitions:
Section 1. Title.
Section 2. Definitions, including ordinary customs duty, Philippine article, United States article internal tax, etc.
Title II, Laws and proposed obligations of United States:
Part 1. Customs duties:
Section 201. Free entry of Philippine articles.
Section 202. Free customs duties on Philippine articles.
Section 203. Customs duties other than ordinary.
Section 204. Equality in special import duties, etc.
Section 205. Equality in duties on products of Philippines.
Part 2. Quotas:
Section 211. Absolute quota on sugar:
(a) Definition of Philippine sugar.
(b) Definition of refined sugar.
(c) Amount of quota.
(d) Allocation of quotas for unrefined sugars.
(e) Allocation of quotas for refined sugars.
Section 212. Absolute quota on cordage:
(a) Definition of cordage.
(b) Definition of Philippine cordage.
(c) Amount of quota.
(d) Allocation of quotas.
Section 213. Absolute quota on rice:
(a) Definition of rice.
(b) Definition of Philippine rice.
(c) Amount of quota.
Section 214. Absolute and duty-free quotas on certain articles:
(a) Absolute quotas: Cigars, 200,000,000; scrap tobacco and stemmed filler tobacco, 6,500,000 pounds; coconut oil, 200,000 long tons; pearl buttons, 850,000 gross.
(b) Duty-free quotas.
(c) Allocation of quotas.
Section 215. Laws putting into effect allocations of quotas.
Section 216. Transfers and assignments of quota allotments.
Part 9. Internal taxes:
Section 221. Equality in internal taxes.
Section 222. Exemption from tax on manila fiber.
Section 223. Prohibition of export taxes.
Section 224. Exemption from taxes of articles for official use.
Section 225. Application to Puerto Rico.
Part 4. Immigration: Section 231. Certain Philippine citizens granted nonquota status.
Part 5. Termination, suspension and administration of title:
Section 241. Termination of title.
Section 242. Suspension of title II.
Section 243. Administration of title II.
Title III. Obligations of the Philippines:
Part 1. Purpose of title:
Section 301. Statement of purposes of title.
(a) Period until July 4, 1946.
(b) Period July 4, 1946, to July 3, 1974.
Part 2. Customs duties:
Section 311. Free entry of United States articles.
Section 312. Ordinary customs duties on United States articles.
(a) July 4, 1954, to July 3, 1974.
(b) Period after July 3, 1974.
Section 313. Customs duties other than ordinary.
Section 314. Equality in special import duties, etc.
Section 315. Equality in duties on products of United States.
Part 3. Internal taxes:
Section 321. Equality in internal taxes.
Section 322. Prohibition of export taxes.
Section 323. Exemptions from taxes on articles for official use.
Part 4. Immigration:
Section 331. Certain United States citizens given nonquota status.
Section 332. Immigration of United States citizens into Philippines.
Part 5. Miscellaneous:
Section 341. Rights of citizens and corporations of United States.
Section 342. Currency stabilization.
Section 343. Allocation of quotas.
Title IV. Executive agreement between United States and Philippines:
Section 401. Authorization of agreement.
Section 402. Obligations of Philippines.
Section 403. Obligations of the United States.
Section 404. Termination of agreement.
Section 405. Effect of termination.
Section 406. Interpretation of agreement.
Section 407. Termination of authority to make agreement.
Section 408. Effective date of agreement.
Title V. Miscellaneous:
Section 501. Suspension and termination in case of disc.
Section 502. Suspension of title II.
Section 503. Customs duties on importations from Philippines (other than Philippine articles).
Section 504. Quotas on Philippine articles.
Section 505. Processing tax on coconut oil.
Section 506. Termination of payments into Philippine Treasury.
Section 507. Special excise provisions relating to the Philippines repealed.
Section 508. Trade agreements with the Philippines.
Section 509. Rights of third countries.
Section 510. Repeals.
Section 511. Repeals.
Section 512. Effective date of the act.

Mr. REED of New York. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania [Mr. FULTON].

Mr. FULTON. Mr. Chairman, I favor this legislation for the benefit of the Philippine people.

The Filipino-American relationship springs from mutual unselfishness. The war has sanctified it with mutual cooperation and success. I believe that if the Filipinos are given an opportunity to express themselves now, they will gladly vote to remain under the American flag with their American comrades and friends.

The people of the Philippines love independence and they are worthy of it. By the Independence Act of 1934 we recognized their right and their capacity to be independent; and by their acceptance of the act they proved to the world that they want independence. That is the statement of principles. We all accept it without reservations.

But, Mr. Chairman, going from principles to actualities is a trip of some distance and dangers. The war and the weapons of war have changed the concept of independence. Today national independence has become a precarious thing. It is in fact but nominal. It is liberty that counts more. It is liberty that the Filipinos need most. And it is liberty that they want. Under independence, the Filipinos will have liberty—theoretically and legally. But under the American flag they have liberty as full and as beneficial as our own liberty as Americans. The Filipinos now know that liberty is more worthwhile than independence, for they know that while fallen Germany, Italy, and Japan had independence they did not have the liberty and comradeship the Filipinos have under the American flag.

Mr. Chairman, I wish I knew how to grant the Filipinos the last clear chance of expressing themselves before July 4, 1946, on the question of separating from us without exposing our country to criticism that we are breaking a pledged word. Let the Filipinos in the next 100 days say the word that would enable their real friends in America to work out a plan for the United States and the Philippines to go on together under one flag.

There are many Americans of my generation who have fought for the independence of the Philippines and many of us servicemen wear combat ribbons including the Philippine Liberation Ribbon. In fact the people of my district brought me back to take my seat in Congress from the Philippine combat area and I arrived late from my Navy carrier just about a year ago. Anyone who has served with the Filipinos knows the fine cooperation and help we received from our Filipino comrades in arms.

Mr. COOPER. Mr. Chairman, I yield such time as she may desire to the gentlewoman from Illinois [Mrs. DOUGLAS].

[Mrs. DOUGLAS of Illinois addressed the Committee. Her remarks appear in the Appendix of today's RECORD.]

(Mrs. DOUGLAS of Illinois asked and was given permission to revise and extend her remarks.)

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. MILLER.]

[Mr. MILLER of California addressed the Committee. His remarks will appear hereafter in the Appendix.]

(Mr. MILLER of California asked and was given permission to revise and extend his remarks.)

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. CANFIELD].

Mr. CANFIELD. Mr. Chairman, I ask unanimous consent to revise the remarks I made earlier this afternoon.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. COOPER. Mr. Chairman, I yield 20 minutes to the Resident Commissioner of the Philippines [Mr. ROMULO].

Mr. ROMULO. Mr. Chairman, I rise to urge the passage of the Philippine trade bill.

This bill is the culmination of the trade relationship between the Philippines and the United States for more than a generation. The United States has helped the Philippines to achieve independence, which is now little more than 3 months off. But by this act we shall know that our independence does not come as a gesture of imperious dismissal from America. Rather, it is a friendly clasping of hands, a firm offer of cooperation, during the difficult years that lie ahead for us.

This bill, Mr. Chairman, is not the kind I would have written in the best of all possible worlds. In such a world, the Philippines would be standing firmly on its own feet, depending on its own resources, producing a diverse and useful variety of products for domestic consumption as well as for export, freed of feudalism and archaic economic policies, independent in its economy as well as in its politics. In such a world, the Philippines would share in that larger dream—the dream written into the Atlantic Charter, the dream of an economic system wherein all the peoples of the world would truly have free access to the raw materials of our earth.

In such a world, if I had written this bill as I would have wished, it would provide for perpetual free trade between the United States and the Philippines and a global community of perpetual free trade. It would provide for no graduated tariffs, no quotas, no limitations on commerce.

If I had written it, the rights assured to the United States would not appear in the bill at all. They would be assured by a treaty entered into on a basis of complete equality between our two sovereign nations.

If I had written it, the currency provisions of this bill would be far more flexible, more responsive to the changing needs of the United States and of the Philippines.

If I had written it, the bill would make no reference to the changes that must be made in the Constitution of the Philippines before it goes into effect. These changes will be made, I assure you. But I would have preferred to see them made as a voluntary act by the Filipino people.

But I did not write this bill. Nor is it drawn up for a world where all our dreams have come true. It is legislation for reality. And because it is a realistic approach to the realities of our time, I am for it.

H. R. 5856 is the product of a meeting of minds over a long, complicated, difficult—I might even say nerve-wracking—period of months. It represents the spirit of realistic compromise which is democracy at its best. It embodies the thinking of men who have tackled the problems of future Philippine-American trade with only the sincerest of motives, with only the most earnest desire to do what is right for both countries.

The historical truth is that reciprocal trade between the United States and the Philippines has been the great stimulating factor in Philippine commerce since the year 1909. When free trade between our two countries was established in that year most Filipinos were emphatically opposed to it in principle. They were opposed because they knew that inevitably the economy of the Philippines would be tied more and more closely to the American market. They knew that this would mean prosperity for the Philippines—so long as the Philippines remained in a colonial relationship to the United States. They also knew that it would mean great difficulties in readjustment when the time came for our country to start out on its own, as a fledgling in a competitive world.

And so one of the first actions of the first Philippine Assembly to be elected by popular vote, in 1909, was to petition the United States Congress not to introduce a free-trade policy between the two countries. The Congress, in its wisdom, disregarded this petition. And the result has been exactly what was foreseen—intensified a millionfold by the intrusion of a disastrous war which has left in the Philippines only a cemetery of economic hopes.

The benefits of free trade with the United States have, through the thirty-odd years that followed the 1909 decision, been great indeed. They raised the Philippines to the highest standard of living of any country in the entire Orient. They brought comparatively high standards of diet, clothing, housing. They permitted the development of impressive programs of public works, of railroads, highways, bridges, and ports. They encouraged the workers and the farmers and the businessmen of the Philippines to expand old enterprises and create new ones, to develop our mills and factories, stores and offices, land and houses. And out of all this they spurred us to higher standards in health, education, scientific and artistic culture, and social justice.

Yes, free trade did much for the Philippines. Our exports to the United States increased 14 times since its establishment, from less than $10,000,000 to almost $130,000,000 just before the war.

But do not be misled into the belief that the benefits were only on our side. The United States obtained a commanding position in the Philippine market. In dollars and cents, Philippine purchases of American products multiplied 20 times over, from 1909 to before the war. Immediately before the war, our country ranked sixth highest among the customers for American export products. It was the best market in the world for American cotton cloth, wheat flour, evaporated milk, cigarettes, tires, and tubes, and over a hundred other items of American exports.

Nor is this merely a prewar figure that has no bearing on the present. Our people know American products; they want American products; and they need American products. During the single month of January 1946, nearly $31,000,000 worth of American products were exported to the Philippines.

In other words, the free trade policy has been a two-way street. It has helped the Philippines, and it has also helped the United States.

Now we are entering into a new phase of our fraternal relationship. And once again the free trade policy can help both the Philippines and the United States.

Mr. Chairman, the stark reality of our postwar condition forces us to depend very heavily on the passage of this bill.

Victory has not meant the same thing to the Philippines that it has meant to you in America; True, the fighting is over. Both of us have the satisfaction of having defeated a vicious enemy. Both have the satisfaction of knowing that our young men no longer run the risk of death on the battlefield. That is a relief which we can share. But beyond this the parallel ends. To you in America, victory has meant the gradual and sometimes irritating return to the normal pursuits of peaceful life. Your cities and your farms are intact. Your factories stand, the chimneys tall against the sky. True, you have your shortages, but nobody starves, nobody wanders ragged in the back streets for shame of his nakedness, nobody—despite your housing shortages—goes without even a roof to protect him from the elements. You do have your difficulties, your adjustments, your transitions, your reconversions. They are very great, very important, very perplexing.

But to us in the Philippines victory has left a heritage which, I submit, is not merely perplexing, but disastrous. I shall not read to you the stations of statistics that mark our economic calvary. There is pending before a com-

mittee of this House a bill for Philippine war-damage compensation, and when it comes to the floor for passage there will be need for these statistics.

I need only tell you this—that as a result of the 3 years of Japanese occupation and their systematic looting of our economy, and as a result of the almost unbelievable havoc wreaked upon us by the military operations of the liberation campaign, our factories and fields in the Philippines lie in ruins.

There is nothing left.

This trade-relations bill, Mr. Chairman, is a rehabilitation bill. It is a bill that will breathe new life into an economy near death.

From the time of our liberation, which began in October 1944, with the first landings on Leyte, until December 1945, our total exports to the United States amounted to less than $1,000,000. One million dollars. That is the productiveness of our economy today. In an average prewar year, we were producing exports averaging more than $155,000,000. Our economic fruits of victory, Mr. Chairman, can therefore be put into a ratio of 1 to 155. That ratio spells disaster—not in some distant future, but right now.

That is why we must depend upon a limited period of free trade with the United States. Only with the encouragement of an open market in America can our mills, our factories, and our farms get back on their feet.

This bill, as you know, provides for a period of only 8 years of free trade between our two countries. After that, it provides for a 20-year period during which duties are gradually increased at a rate of 5 percent a year. We are therefore inclined to speak of it as legislation providing for 28 years of full or partial free trade.

In point of fact, it is not full free trade at any time, because it establishes quotas which limit the amount of sugar, cordage, rice, cigars, tobacco, coconut oil, and buttons which may be exported from the Philippines to the United States. Neither is it altogether a matter of 28 years of such preferential treatment, since the gradual increase in duties will begin to be felt long before the period is ended. I am not raising objections to these points. I am merely making them clear, so that your vote will be based upon an understanding of the facts.

What this period of preference will do is quite simple. It will provide businessmen in the Philippines with some incentive to go back into business. It will banish the dreadful inertia that beclouds our islands. Combined with the forthcoming compensation for war damage, it will start our production moving again. Once again our fields will be green with crops, and our cities busy with trade. Our national economy will receive a shot in the arm. And it is my most earnest hope that, when this bill is passed by Congress and put into operation, the Philippine Government will see to it that its benefits will reach the lowest levels of the population of the Philippines.

Mr. Chairman, H. R. 5856 is not a permanent solution of our economic problems. What it does is to provide us with the time and the means to readjust ourselves to a bewildering combination of postwar devastation and imminent independence. During these 28 years we shall be able to plan our economy with a view to the true economic independence which is the right of every sovereign people.

We know that there are some exports which we must not expect to sell to the United States for all time. During these 28 years we shall be able to find new markets for them or to drop them in favor of products which are more useful to our people and to the world.

This is the last time that Congress will enact legislation on Philippine-American trade before our independence is proclaimed. It is not a perfect piece of legislation, but it is a good, sound, practical piece of legislation. It will benefit our people, and it will also benefit yours. It is legislation written in the great American tradition of enlightened self-interest.

I am confident that this Congress will pass the Philippine Trade Act of 1946. Because I am so confident of this, I want to express—in the name of my countrymen—our thanks to all those who have worked so hard on this bill. I single out especially the gentleman from Missouri [Mr. BELL], who has introduced the bill and who has been so courteous and sympathetic to our views. I also express our appreciation to the members of the Committee on Ways and Means, who have reported this bill out unanimously.

Most of all, Mr. Chairman, I want to express the thanks of the Filipino people to the American people. We who have suffered so grievously in defense of the American flag know—by this act—how well they wrought. We who have given of our blood and our treasure in the cause of freedom know that our choice was not in vain.

Once again our brother Americans are living up to the covenant they have sealed with us.

Mr. CANFIELD. Mr. Chairman, will the gentleman yield?

Mr. ROMULO. I yield.

Mr. CANFIELD. I believe the House should know that the Resident Commissioner of the Philippines, who has just spoken, distinguished gentleman and brave soldier that he is, is now suffering from recurrent malaria and rose from a sick bed this morning to make this most inspiring address before his colleagues in the House.

Mr. REED of New York. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Pennsylvania [Mr. SIMPSON].

Mr. SIMPSON of Pennsylvania. Mr. Chairman, the distinguished gentleman from the Philippines who preceded me has so ably and completely expressed the motivating factors which induced the Committee on Ways and Means to bring this bill before this body. He so ably set forth those factors that I shall not attempt to enumerate them again. I realize that those factors are understood by all of the people in this great land of ours and that this body, by adopting unanimously if possible the bill now under consideration, will but do what our constituents would have us do for a people who have willingly and without stint given their all for us. I commend this bill to the most careful attention of this body and hope very much it may be passed by unanimous vote.

I had the privilege of serving with the subcommittee in considering this legislation. We worked long hours and we worked steadily. We then reported our recommendations to the full committee, headed by the gentleman from North Carolina [Mr. DOUGHTON]. In both instances we were ably assisted by Mr. Beaman, the legislative counsel. The bill represents intense work, nonpartisan in nature, or perhaps I should say extremely partisan in nature, amending that by adding the good judgment of both our great political parties recognizes the worth whileness of this legislation, and in this instance the views of the two major parties of this country coincide. So, speaking for the subcommittee and the full committee, we recommend and urge the passage of the bill.

Its purpose, as we all know is to establish mutually advantageous trade relations between our country and the Philippines. So we provide for a period of free entry of goods to and from the Philippines. We limited that period of time because we are not a nation which uses permanently free trade as a national policy.

There is another reason, however, that we limit that period. That is too, over a course of years, establish a substantial and solid relationship between our country and the Philippines by which they in the world of free nations may do business not alone with us but wherein they may stand upon their own feet in the nations of the world. So we provide for an escalator or ladder application of the tariff which is increased by 5 percent each year for a period of years. At the end of that time we believe that the Philippines will stand on their own, will have developed new markets all over the world, will be very friendly with all the nations of the world.

There are some people who object to the provisions of the bill by which the allotment of the quotas made in the bill continues for a lengthly period of time. They are very apt to object because the allocation of those quotas is to be made by the newly established Philippine Government. Still further, some will object because it is provided that the quotas to be made by the Republic of the Philippines shall be made on the basis of and to those individuals who were engaged in the production of the respective articles in 1940 or in some previous years. Those people will, with reason, call out that there is preference being given to the people who happened to have their money or their skill invested in the production of those articles in the Philippines sometime in the past. And they will continue and say that we are not giving a free opportunity to every Filipino citizen to secure a share of that quota. Your committee considered that point most carefully. They recognized that there is an argument in opposition to that expressed policy within this bill.

The committee took advice from leaders of the Philippines, advice from representatives of different Government agencies here, and for a reason deemed

well and sufficient adopted the policy I have just stated. The reason briefly and emphatically is that by providing this quota we take care of the man who lost most seriously as the result of the war; we are insuring that in the immediate future those men with the know-how in the Philippines will be enabled again to engage in their former occupations, and we assure that those Americans and the nationals of other nations who see fit to invest their money within the Philippines will have the certainty of a share of the quota, a certainty of the market for some years to come, as a result of which money will be invested and industry will pick up. It will, we hope, act as a spark plug to induce people from this country who have money for investment, who have the know-how and ability to produce crops in the Philippines to invest their money there and aid in the recovery of that new nation.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. SIMPSON of Pennsylvania. I yield.

Mr. COLE of New York. Will the gentleman kindly explain what is meant by the word "quota"? Does that mean that these tonnages that the bill provides are the maximum amount that may be imported from the Philippines or does it mean that that amount would come in duty free but that the Philippines might ship into this country quantities in excess of the quotas but that such excess would be subject to the normal import taxes?

Mr. SIMPSON of Pennsylvania. Such is correct with respect to some of the lesser items and particularly with respect to sugar, the major item to be imported. I may say that the quota with respect to sugar is absolute, that the 850,000 tons mentioned in the bill represents the maximum that may be shipped into the United States under the bill and tariff free for the first 8 years.

Mr. COLE of New York. But does that mean that the Philippines cannot ship into this country sugar in excess of 850,000 tons if they pay the duty?

Mr. SIMPSON of Pennsylvania. It does mean they may not ship in excess of 850,000 tons on any basis.

I yield to the gentleman from Arkansas [Mr. Mills] to answer the question.

Mr. MILLS. The quotas referred to in the bill are absolute quotas. They are duty-free quotas, and additional amounts over those duty-free quotas up to the maximum of the absolute quota may be shipped in in some instances, that is, where duty is paid on part of the absolute quota and the remaining part of the quota may come in free of duty; but the quotas mentioned in the bill are absolute, the maximum, that may come in from the Philippines within any 1 year.

Mr. COLE of New York. I am curious to know why it was thought necessary to limit the total amount that could be shipped into this country even though the usual import tax was paid on it.

Mr. SIMPSON of Pennsylvania. Because, as was explained earlier, I may say to the gentleman from New York, it is to afford some protection to the producers in this country.

Mr. COLE of New York. I assumed such protection was afforded by the import tax irrespective of whether the goods imported came from the Philippines, Cuba, Mexico, or some other nation.

Mr. SIMPSON of Pennsylvania. It was felt that in view of the probable excess production of sugar that might occur some years in the future, it was well to avoid great overexpansion of that one crop in those islands. The committee took the position, as I recall, that it was highly advisable that they diversify.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. REED of New York. Mr. Chairman, I yield the gentleman five additional minutes.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, it would be highly desirable to have the crops over there diversified and their production diversified so that it will not encourage a great expansion in the production of sugar.

Mr. COLE of New York. There is another question I would like to ask. As I understand it, under the present provisions of the reciprocal trade law if we grant to any foreign country a trade benefit that is more advantageous to that foreign country than has been granted heretofore to other countries, that same benefit will be extended to all countries of the world?

Mr. SIMPSON of Pennsylvania. That is right, under the most favored nation clause.

Mr. COLE of New York. To what extent is that policy modified by this bill?

Mr. SIMPSON of Pennsylvania. It is not modified in the slightest. It means that if our country should agree with some other country to give a free tariff or a low tariff less than is applicable under the agreement with the Philippines, the Philippines would immediately have the advantage of it.

Mr. COLE of New York. This bill grants to the Philippines trade preferences which no other country has with the United States.

Mr. SIMPSON of Pennsylvania. That is right.

Mr. COLE of New York. Is there something in this bill that suspends the operation of the reciprocal trade law, the most favored nation clause of the reciprocal trade law, from the benefits of this bill that have been extended to all the other nations of the world?

Mr. SIMPSON of Pennsylvania. This is based upon an agreement. It applies only to the Philippines and the United States.

Mr. COLE of New York. It is true of any trade treaty that it is based upon agreement but what I want to make sure is, does this bill positively withhold from the operations of the reciprocal trade law the benefits this bill gives to the Philippines.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. SIMPSON of Pennsylvania. I yield to the gentleman from Nebraska.

Mr. CURTIS. Section 509 specifically provides no other country may get the benefits that we extend to the Philippine Islands under the so-called most favored nation procedure.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. SIMPSON of Pennsylvania. I yield to the gentleman from Arkansas.

Mr. MILLS. There is an additional section in the bill, section 506 or 507, which provides that we cannot enter into a reciprocal trade agreement with the Philippines during the life of the agreement to be made under title IV of the bill. We are further protected there.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, there are many people who will say that the Filipinos were not the only people who were active on our behalf in connection with the winning of the war, that many other nations of the world have suffered as greatly as the Philippine Islands. They will argue that we should do for those countries just what we are proposing to do for the Republic of the Philippines. We should consider, however, that there is a marked distinction, without at the same time in any way belittling or lessening the great contribution that those other nations have made to us. We should recognize that this agreement to be made with the Philippines does not express a world-wide policy with respect to free trade or preferential treatment but, that, on the contrary, it is done specifically and methodically for that one particular country in whose welfare we have been greatly interested for many, many years. That country under a congressional act passed by this and the other body has been granted its freedom, that country, I repeat, in which we are so interested, that we will do all we can to help to make it the great nation we hope it will become.

The CHAIRMAN. The time of the gentleman from Pennsylvania has again expired.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 20 minutes to the gentleman from Michigan [Mr. Dingell].

Mr. DINGELL. Mr. Chairman, after having listened to the distinguished patriot, soldier, and statesman from the Philippine Islands, Gen. Carlos P. Romulo, there is very little that remains to be said about this bill, its objectives, and its great possibilities. I was inspired and edified by the eloquence and the erudition of my good friend, General Romulo, the Resident Commissioner of the Philippine Islands.

Mr. Chairman, if I were to advise the membership how best to analyze and understand the pending Philippine trade bill before you, H. R. 5856, I would unqualifiedly recommend a thorough reading of Report No. 1821, which was drafted with painstaking care and exactness by the committee and the experts who, throughout the consideration by the committee, worked right along with us.

As chairman of the subcommittee which was charged with the responsibility of redrafting the original Bell bill, I know I voiced the sentiment of appreciation of every member toward the experts and I do not confine this expression to the members of the subcommittee alone, but to the entire Ways and Means Committee which ultimately reexamined and

favorably passed upon the subcommittee's work.

This bill is most unusual in that it is, so far as I know, without precedent. Never before has the Congress been called upon to legislate in anticipation of a contingency such as is provided for in this bill. You will observe that until July 3, 1946, the provisions of the bill are binding not only upon the United States but also upon the Philippine Islands, which are an American dependency, but on the following day, July 4, 1946, the dependency becomes an independent country and obviously we could not legislate to compel them to do anything; but it is provided that by agreements the objectives of the bill shall be met. We, of the committee, were advised that in all probability, following the elections in the Philippine Islands, which occur in April, that the successful candidates and the newly elected President will make advance preparations for the fulfillment of the provisions contained in the bill, with such modification, of course, as might be made by the Senate and in conference. In other words, we confidently believe that the Filipinos will conform with the provisions of the law as expressed in the completed bill now before you.

Perhaps the most important consideration before us involves the element of time. The Philippine Islands are devastated the people destitute and desperate. There is not a single moment to lose. The committee worked under a severe handicap all of the time, realizing the tragedy of the situation and the need for speed to correct the pressing needs of a heroic, though unfortunate, people. I am not going to take the time to go into any extensive or technical explanations. I will, however, touch upon a few high spots, leaving the technical and legal explanations to be made by the lawyer members of the committee. If I were not a member of the committee, I would accept this bill in large measure on the basis of faith and the assurance by the Committee on Ways and Means that the intent and purpose is wholesome and genuine, which will produce much good in the relationship between the two countries and will serve as an example to the entire world. Its prime purpose is to rehabilitate the economy of the Philippine Islands and to restore the dignity of man and thus to bring about the maximum possible and the earliest possible restoration of a two-way trade between the Filipinos and the Americans. It is intended to induce capital, American capital which has been heavily entrenched in this Pacific paradise, to resume its active and productive role in the rebuilding of the sugar mills, the mine tipples, the mills, and industry in general, in order to bring about prosperity among the Filipino people.

If there had been another way which could have been provided instead of the outline contained in this bill, certainly I would have been happy to have gone along because it has been charged that the bill is one-sided, lop-sided, and even monopolistic—but there is no other way out. Capital will not go back into a devastated country without some assurance, at least for a specified period of time, and it is admitted that ample capital for rehabilitation of industries such as are in need in the Philippine Islands is available in ample amounts only here in the United States.

The period of time which affords the Philippines and their industry full or a graduated preference and protection covers 28 years. The forepart or the first 8 years, the Philippines will enjoy free trade with the United States. The next 20 years are, of course, tariff graduated at the rate of 5 percent per annum until the full duties are applicable. The bill before you, which bears the name of our distinguished colleague, C. JASPER BELL, of Missouri, and which was rewritten by the Subcommittee of the Committee on Ways and Means is, of course, acceptable to me, though I felt all along that my idea, encompassed in a bill which I introduced on May 7, 1945, antedating this and other bills, provided for a 20-year suspension of the tariff provisions of the Tydings-McDuffie Independence Act, was preferable. My bill was preferable, in that it was a direct solution of a problem, and preferable in that it was a short cut toward the objective. It was admitted by High Commissioner Paul McNutt, by Maj. Gen. Carlos P. Romulo, and even by Mr. Bell, that while they favored my bill, it was a matter of solving at the same time other problems, and that required the expanded expression of the Bell bill. I must add here and now that my bill, providing for suspension of tariffs, was approved by both Houses of the Philippine Legislature as being the direct and the proper course. I am certain, however, that everything will work out for the best; that the Philippine Government, after attaining the status of independence, will approve of the provisions of this bill.

The Committee on Ways and Means, in order to expedite consideration, jettisoned various and complicated provisions which were contained in the original bill and have modified others, all in the interest of speed. This, of course, was done where we were convinced there could be no harm in delaying action on specific points. To illustrate, we have seen fit to touch lightly on the question of immigration because it was felt that this was something which should be very carefully analyzed by the committe having jurisdiction, by members who have handled this type of legislation throughout the years. The committee has modified and simplified the phraseology pertaining to American citizens and American corporations who are to benefit by the terms of this bill, provided further that this question, complex and important as it is, should be handled by executive agreement. The committee was convinced that the experts' advice was correct, that it would have taken 20 more pages in the bill to properly circumscribe the minimum of protection necessary for American citizens and American people and to similarly safeguard certain fundamental rights of the Filipinos. In fact, we were not convinced that it could have been done unless a great deal of time and extensive hearings were to have been held on the subject. The President and ultimately the Congress hold the leverage in the solution of this problem.

The paragraph which refers specifically to the ratio between American and Filipino currency was left intact and the explanations before the committee were considered sufficient. The purpose of this provision is to maintain at all times the value ratio of the Philippine peso at 2 pesos to 1 American dollar. Obviously, this will tend to maintain a stability of commercial intercourse between the United States and the Republic of the Philippine Islands. In the discussions before the committee, it was understood that this maintenance of relative values, as expressed in the 2 pesos to 1 dollar in value, was to be reflected in every official currency move of the respective two Governments, and that it may be similarly registered in whatever fluctuations may occur on the international money market. If I may breathe into this legislation further life as expressed by the committee on this point, I want to say that it is intended that whatever loss or gain may result in the rise or fall of the peso and the dollar shall affect the currencies on the basis of the expressed ratio. Benefits or losses shall accrue to the respective Governments in accordance with that formula. Should there at any time be a monetary devaluation it is assumed that the Filipinos will be treated fairly and equitably and will receive their proportion of a gain as they might be expected, under reverse circumstances, to share a loss. The principal objective of this provision is to maintain a stabilized and, all times, a fixed relationship between the Philippine peso and the American dollar. That is fundamental.

Mr. Chairman, I do not think that it is necessary that we should apologize for the legislation that is before the House today. No apology is required for the substance of H. R. 5856 except perhaps in one particular to which I shall refer in the course of these remarks. But, an apology is called for in the timing of this bill. It is long overdue. I think we all recognize that fact.

The Philippines were first attacked on December 8, 1941. The islands were invaded a short time after. Corregidor surrendered in April of 1942. American forces landed on Leyte on October 20, 1944. General MacArthur proclaimed the liberation of the islands on May 5, 1945. That was almost 10 months ago. In those 10 months the Philippines have been restored to the Filipinos. The Japanese were driven out. Filipinos have been placed in control of the Commonwealth government. But these islands are not the same islands they were on December 7, 1941. They were then the most prosperous area in the Far East. They were a democracy, a possession of the United States, scheduled for independence on July 4, 1946. They were an agricultural land, producing commodities needed in the United States and marketed in the United States by virtue of the free trade which the United States Congress had provided in 1909. They were America's great experiment in colonial democracy. There was no unemployment in the Philippines and there was what passed for economic prosperity.

In the recent interval of 4 years there passed over the Philippines the tragic tidal wave of war. Today the Philippines are destitute and devastated. The national economy has virtually ceased to exist. Millions are homeless. Hundreds of thousands are dead. Many are maimed and disabled. Every major city in the Philippines is a picture of carnage and destruction. The islands are without communications, one with another. The fields and farms are fallow. The lands are uncultivated. The people are confused and desperate. For 4 years the people of the Philippines fought our war, the war of the United States against Japan, against the Axis. It was not their war. Had they accepted Japanese domination, they would have been like Thailand or perhaps even Switzerland, untouched and unravaged. But these people were American nationals. They had been American nationals for more than two generations. What is more, they were devoted to American ideals and American principles, to western democratic ideals, principles, and institutions. They fought for us while our forces were gone from the islands. They fought with us when our forces returned to liberate the islands.

But in the 10 months that have intervened between the liberation and today, the United States has done very little to recognize this valorous service of a great and heroic people. No other colonial people in the Far East, or any place else in the world, helped to any considerable extent in the war against the Axis. The Filipinos did. They tied down hundreds of thousands of Japanese troops that might have been used effectively against us elsewhere. They killed thousands of Japanese. They sacrificed thousands of their own in so doing. They sacrificed the fruits of their land in so doing. They sacrificed their national economy.

There were thousands of Filipinos who burnt over their fields, who destroyed and flooded their mines, who sabotaged sugar mills and coconut shredding plants. There were thousands who went up into the hills and fought for long years with guerilla bands, who supplied our Army and Navy with essential military information, and kept the Japanese off balance until American forces of liberation arrived.

But since the liberation in return we have done precious little for the Philippines. We fed some of them for a while, we clothed some of them. But so far we have done nothing to rehabilitate the devastated land. We have done nothing to rehabilitate the destroyed economy.

In 1945 Congress enacted Public Law 381 which created the Philippine Rehabilitation Commission consisting of United States Senators and Representatives, public members appointed by President of the United States, and a like number of Filipinos appointed by the President of the Philippine Commonwealth "to investigate all matters affecting post-war economy, trade, finance, economic stability, and rehabilitation of the Philippine Islands." That Commission of which Representatives BELL, WELCH, and MCGEHEE were members, studied the situation at great length. They presented a formula for the rehabilitation of Philippine economy. That formula has been fitted into the bill now before us.

When the Congress passed the Philippine Independence Act back in 1934, nobody had any idea that a war was coming in 1941 that would devastate the Philippines. Under the terms of the Independence Act, the Philippines were scheduled to get their independence on July 4, 1946. A 10-year period was provided for the adjustment of the Philippine national economy to independence. Gradually increasing tariffs were provided to accustom Philippine exports to American tariffs. But even in 1934 it was acknowledged that the United States had an obligation to the Philippines which was not being met by the terms of the Philippine Independence Act. It was provided in the Independence Act that a trade conference be held a year before independence to consider postindependence trade relations. But almost at the beginning of the independence adjustment period came the war. The war upset the entire independence adjustment program. The war devastated the Philippines.

Today we are faced by the fact that in 3 months, the Philippines will become independent. It is not to the interest of the United States to withhold the grant of independence. We want to give the Philippines their independence because we want to show the world that the United States, as a nation, keeps its word. But unless we make the Philippines capable of survival as a nation we will have failed in all our efforts in the Philippines and in the Far East. We will have betrayed the faith and confidence of 18,000,000 Filipinos in democracy as a way of life. We will have told the billion and a half people of the Far East that the United States is willing to grant a colony its independence but not to insure the independent survival of a people who sacrificed their nation in our behalf. We will have told the world that democracy is good for the United States, but we are not interested in its continuation any place else.

For 45 years we have kept the Philippines tied to us economically. Because we needed Philippine products, we admitted those products into the United States market duty-free. These products included hemp, copra, coconut oil, sugar, and tobacco. Today we still need those products. Other nations need them too, but cannot pay for them. We can pay for them but the Philippines cannot afford to produce those products unless they can come here without payment of duty.

Today the Philippines are exporting practically nothing, except perhaps a little copra and hemp. If we give the Islands some sort of assurance that their products can be sold here for some time to come, American and Filipino capital will be reinvested. The ravaged and damaged sugar mills, sugar lands, coconut groves, and coconut processing plants will be repaired. The only condition under which this will take place is the condition provided by H. R. 5856. The least we can do to rehabilitate the Philippines is to give the Islands a chance to recover their prewar economy. After they have rehabilitated that economy, they can move in the direction of nondependence upon the American market. This bill, extending free trade and preferential trade relations, is the only formula which will lure the only available capital into the Philippines. It will incidentally give American capital a chance and an inducement to assist in the rehabilitation of these islands.

That is the whole purpose of H. R. 5856. There is no other purpose. There is no ulterior motive or design. We are not protecting vested interests, American or otherwise. There are no vested interests in the Philippines today, properly speaking. The islands are a wasteland. We are not furthering imperialism. We are not trying to prevent the Filipinos from working out their own destiny. We merely want to give the Filipinos a chance to start up an economy that will provide jobs and income for government, that will provide a basis on which the Filipino people will be able to stand and survey their own democratic potentials.

American commodity interests are not prejudiced by this legislation. I speak as a representative of a great industrial district of the United States. In my city of Detroit, automobiles, machine tools, dies, and other industrial equipment, chemicals and a thousand and one other things are manufactured. I think that the United States will benefit considerably by having a market in the Philippines in which we can sell these products. These are not the only products this country sells in the Philippines. We sell canned goods, shoes, electrical equipment, and construction machinery. In 1940 we sold $105,000,000 worth of goods to the Philippine Islands. In 1946 we will probably sell even more. But the Philippines cannot continue to buy from us unless we buy from them. The only goods we can buy from them are the natural products of their fields and farms. They cannot sell those products to us, as devastated as they are by war unless we let them in duty-free for a while, unless we give them a duty preferential for a stated number of years.

Now in this bill we have provided quotas for some of the major Philippine commodities. These quotas are the same as those granted Philippine commodities before the war. These quotas are the same as those evolved during the past 45 years in an effort to protect domestic commodities. In this bill domestic commodity interests are thoroughly protected. They will have as much protection as they had in 1940 and it is needed in a lesser degree. We are merely recognizing in this bill the fact that the Philippines need today, more than ever, a breathing space in which to adjust themselves to the wonderful adventure of independence, and to recover from the tragic experience of the war.

In this bill, unfortunately, the Ways and Means Committee decided to make a cut in the Philippine sugar quota.

That cut amounts to 102,000 short tons. Before the war, the Philippines had an absolute sugar quota of approximately 1,00,000 short tons. Under the terms of the Tydings-McDuffie Independence Act, the Philippines had a guaranteed duty-free quota of 952,000 short tons. That

quota was further guaranteed to the Philippines under the world sugar agreement. Now we are going to recognize Philippine heroism during the war, our long-standing obligation to the Philippines by slashing 102,000 short tons from the Philippine quota. Some may think that this will benefit domestic interests. I come from a State which produces a considerable amount of beet sugar. I cannot see how this proposed action will benefit Michigan by one pound of beet sugar. Even if it did, I could not in good conscience approve this niggardly action, which tells the world that we are weighing in the balance 102,000 short tons of sugar quota against the unlimited heroism and sacrifices of a great people in the cause of democracy. What a cheap way of paying off our obligation. What a miserly way of reckoning our debt to a heroic people. Let me tell the members of the committee today that in my opinion America will not benefit from this shortsighted action. The only interests which can posibly benefit will be the Cuban sugar interests, already grown rich on the profits of this war. I cannot pass over this bill without expressing my disappointment for this action. We are here engaged in a great generous gesture toward our heroic wards, toward a people who saved us billions of dollars and thousands of lives, and yet we have undertaken to haggle over 100,000 tons of a sugar quota, which we would withhold as a sop to some group which has not known the terrors and sacrifies of war.

One other aspect of this bill which I would like to refer to again is the immigration provision. I felt that in drawing the formula for post-independence relations between the United States and the Philippines, we should include some provision recognizing the Filipinos as a people worthy of the same consideration we accord other less worthy peoples who are under our laws already eligible for naturalization. However, all we have seen fit to do in this bill is to provide for the immigration of Americans into the Philippines to assist in the work of rehabilitation. I must say that the House has already expressed itself on the subject of Filipino naturalization in a bill which is now pending in the Senate. We feel that Filipinos are certainly as worthy as Chinese and Indians in being eligible for naturalization. It is my hope that the Senate will see its way clear to making a proper decision in this matter.

I believe that in H. R. 5856 the interests of the United States are deeply involved. I feel that this is one of the most important bills which has faced the House this year. I know that many millions of people in the United States and many more millions outside the United States have their eyes on us today. I hope that we can justify the high confidence that the people of the world have in the enlightenment and gratitude of the United States. Should we fail to act today with open hearts and with generous remembrance of our obligations and interests in the Orient, we will have failed to keep faith with those hundreds of thousands of Americans who died to maintain our Nation's greatness.

Seldom, if ever, are the experts who worked with the committee called upon to grapple with such unprecedented, complicated, and important problems as have been dealt with in this legislation. As chairman of the subcommittee having to do with the rewriting of the bill before you, I want to express the appreciation of the subcommittee and, in fact, the entire Committee on Ways and Means, to the chief counsel of our legislative staff, Mr. Middleton Beaman, and to the gentlemen whose names I insert in the RECORD:

Mr. Cyril E. Heileman, Office of Tax Legislative Council, Treasury Department.

Mr. Eugene F. Bogan, attorney, Chief Counsel's Office, Bureau of Internal Revenue.

Mr. W. E. Higman, Assistant Deputy Commissioner, Bureau of Customs.

Mr. Walter Hollis, Department of State.

Mr. E. G. Martin, Tariff Commission.

Mr. P. F. Burnham, Tariff Commission.

(Mr. DINGELL asked and was given permission to revise and extend his remarks.)

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 5 minutes to the gentleman from West Virginia [Mr. NEELY].

Mr. NEELY. Mr. Chairman, during the last 6 months the Government has most justifiably and commendably helped many thousands of underpaid employees of private industry to obtain deserved increases in their compensation. But unfortunately the Government, unmindful of the gospel truth that those who fail to provide for their own are worse than infidels, has almost completely ignored the distressing plight of multitudes of Federal employees whose crying necessity for additional pay is neither doubted nor denied.

When the toilers in private industry have asked for fish the Government has permitted no one to give them serpents. But in recent months when those on the Government's pay roll have asked for bread they have received a stone. In the circumstances, it was highly encouraging to learn from the RECORD that the distinguished chairman of the Committee on the Civil Service the gentleman from West Virginia [Mr. RANDOLPH], favors legislation which will authorize an increase of not less than 18½ percent in the salaries or wages of Federal workers.

May I not inquire of the able chairman how soon his committee may be expected to report to the House the legislative proposal necessary to accomplish this result, because, in my opinion, practically all the Members of this body are eager for an opportunity to demonstrate with their votes their desire to do justice to the hosts of Federal employees whose application to their tasks, fidelity to their duty, and service to their country never have been and never will be surpassed.

Mr. RANDOLPH. Mr. Chairman, my able colleague from West Virginia has given me the opportunity, by invitation, to answer a question and to couple it with an observation. The Committee on the Civil Service this afternoon took action reporting favorably to this body legislation which would bring about a merited increase to the employees of the Federal Government based upon the figure of 18½ per centum which the gentleman from West Virginia [Mr. NEELY] has indicated, has been urged.

That legislation involving, also, we believe, meritorious provisions other than just a percentage increase, will be brought to the House floor, we trust, during next week.

It is a fallacy we can ill afford to allow to go unchallenged, those who attempt to say that the employees of the Federal Government are not capable and conscientious in the discharge of their duties. I think, as the gentleman from West Virginia [Mr. NEELY] has so appropriately said, that these workers do give a good account of themselves. Certainly we should reward them in a fair degree. We should all agree that the Government service should be operated with the fewest number of employees, but those who are on the pay roll should certainly have proper compensation. They merit our concern and assistance.

Mr. NEELY. May we also assume that the chairman will ask the Rules Committe to bring the matter before the House at an early date?

Mr. RANDOLPH. I hope to go before that committee on Tuesday and request a rule, so that the pay-raise bill may be on the floor by Wednesday of next week.

Mr. NEELY. I thank the gentleman for those encouraging words.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. LYNCH].

Mr. LYNCH. Mr. Chairman, I am thoroughly in favor of this legislation. I cannot let this opportunity go by without personally and publicly expressing my appreciation for the efforts that were rendered our committee by General Romulo and by Mr. Beaman, and also by the gentleman from Missouri [Mr. BELL], of the Committee on Insular Affairs. In addition to those, I want to express a word of appreciation for Mr. Martin of the Tariff Commission, who has been working so diligently with our committee advising us as to the effects of the tariff situation insofar as this legislation is concerned. I say that I am in favor of this legislation because it seems to me that we as the guardian of the Philippines, as it were, for many years past, now see our ward going out into the world of nations by itself, not altogether in the manner that we had anticipated because we thought that when the time of independence came the Philippines would go forth as a prosperous young nation. Instead of that, by reason of their fidelity to the United States, by reason of their loyalty to us when we were in our war with Japan, they now go forth as a nation pretty well poverty-stricken, as a nation whose capital city has been razed almost to the ground, as a nation that looks now to us with hope and at the same time looks forward to July 4th of this year with the confidence and with the courage that have characterized the Philippine people in the past.

This legislation will aid in the economic rehabilitation and future development of our gallant ally. It sets a new pattern in history, because even before the new Philippine nation is born we are seeking to give it aid and encouragement.

There are some who have their doubts as to the wisdom of the establishment of a Filipino republic. Be that as it may, the Filipinos have ever aspired to nationhood, the fulfillment of that asperation is only a few months off. To the new Filipino republic, good luck and Godspeed.

(Mr. LYNCH asked and was given permission to revise and extend his remarks.)

Mr. DOUGHTON of North Carolina. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker pro tempore, Mr. COOPER, having assumed the chair, Mr. ZIMMERMAN. Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, had come to no resolution thereon.

EXTENSION OF REMARKS

Mr. VURSELL (at the request of Mr. MARTIN of Massachusetts) was given permission to extend his remarks in the RECORD and include a letter.

SPECIAL ORDER GRANTED

Mr. SMITH of Wisconsin. Mr. Speaker, I ask unanimous consent that on Monday next, after the disposition of business on the Speaker's desk and the conclusion of special orders heretofore entered, I may address the House for 30 minutes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and include as part of my remarks the Senate bill, S. 1986.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

CONTROL OF BARBITURATES

Mrs. ROGERS of Massachusetts. Mr. Speaker, I am very much encouraged to learn today that the Committee on the District of Columbia of the Senate reported out unanimously, I understand, the bill (S. 1986) for the control of barbiturates. I am interested in a bill which will go to the Committee on Ways and Means in order to have Government control all over the country of the very dangerous drugs which are derivatives of barbital which has caused so much suffering to young people and cause a good many deaths among older people. They do not realize it is a cumulative drug and should only be taken under a doctor's prescription. It is very beneficial in many cases if properly used but indiscriminate use as exists today is a very dangerous thing.

The Senate bill is as follows:

S. 1986

A bill to regulate the manufacture, sale, distribution, and use of barbiturates in the District of Columbia, and for other purposes

Be it enacted, etc., That subsection (n) of section 1 of the act of June 20, 1938 (52 Stat. 785), is hereby amended by inserting immediately after the word "cannabis," the word "barbiturates."

SEC. 2. Section 1 of the act of June 20, 1938, is hereby further amended by adding the following new subsection (t) at the end thereof:

"(t) 'Barbiturates' means the salts of barbituric acid (malonylurea), any derivative of such acid or of any of its salts, or any preparation or mixture of any such salt or derivative."

SEC. 3. Section 23 of the act of June 20, 1938, providing penalties, is amended to read as follows:

"(23) Penalties: Any person violating any provision of this chapter, or of any regulation made by the Board of Pharmacy under authority of said sections, shall upon conviction be punished, for the first offense, by a fine of not less than $100 nor more than $1,000, or by imprisonment for not exceeding 1 year, or by both such fine and imprisonment, and for any subsequent offense by a fine of not less than $500 nor more than $5,000, and by imprisonment for not less than 3 years nor more than 10 years. In imposing sentences upon such subsequent offenders, nothing contained in the Indeterminate Sentence Act of July 15, 1932, as amended, shall be construed as authorizing a minimum term of imprisonment of less than 3 years."

SPECIAL ORDER

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Indiana [Mr. SPRINGER] is recognized for 15 minutes.

DOES THE RANK AND FILE OF THE AMERICAN LEGION SUPPORT THE WYATT HOUSING BILL?

Mr. SPRINGER. Mr. Speaker, I have read with great interest, the statement which appeared in the Washington Post of March 24, which was made by the national commander of the American Legion, with respect to the housing bill which has been before Congress, and which is not yet completed. I must admit that I was somewhat surprised when I read that statement, and I was also surprised when I read in that statement that the American Legion would fully support the so-called Wyatt plan for housing as the same appeared in the original bill, presented to the House by the gentleman from Texas, Representative PATMAN. While that statement may be the view of the national commander upon that subject, if he was correctly quoted, and it may be the view of the legislative committee, or some of the executive committee, but I am certain, in my humble judgment, that this view is not the view of the rank and file of the members of our great organization. I make that statement because I have received many letters from the members of the local posts of the American Legion on this very question, and those members, without exception, urge that the terrific spending of the taxpayers' money be materially curtailed by the Federal Government, and that the imposition of taxes upon the people, and the veterans, be tempered and reduced, if possible, at the earliest opportunity. May I also state, for the RECORD, that there are many members of the American Legion now serving in the Congress of the United States, and I am confident the pronouncement made by the national commander is not in accord with the view of many of those members, and I am definitely certain that the statement so made is not fully in accordance with my own view upon this subject.

Mr. SMITH of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. SPRINGER. I yield to the distinguished gentleman from Wisconsin.

Mr. SMITH of Wisconsin. I compliment the gentleman for bringing this matter to the attention of this body and the country. We recognize that the gentleman was one of the original members who attended the American Legion Convention in St. Louis. Am I not correct?

Mr. SPRINGER. That is correct.

Mr. SMITH of Wisconsin. And the gentleman was the first department commander of the American Legion in the State of Indiana?

Mr. SPRINGER. I was so honored by our veterans in Indiana.

Mr. SMITH of Wisconsin. I, too, was interested in this release by Commander Stelle, and on yesterday I wired him and asked for information relative to his authority in making that release. Likewise I addressed a telegram to the chairman of the legislative committee, William Doyle, of Boston, Mass., asking him by what authority his committee acted. So far I have had no word on that subject.

Does the gentleman think that under the circumstances the commander is using this method of playing politics?

Mr. SPRINGER. It may be. I am not certain. I hope not. We have even avoided any political implications in the American Legion. I hope the national commander will not so conduct himself. I want to thank the distinguished gentleman from Wisconsin for that observation. He is a past commander of the American Legion in his own State. The gentleman from Wisconsin served in an outstanding and highly creditable manner as department commander of the American Legion in that great State of Wisconsin.

Mr. Chairman, I have worked tirelessly in the American Legion since its organization. I attended the first caucus, held in St. Louis. I served as the first department commander of this great organization in the State of Illinois. As such State commander I helped formulate the policies of the American Legion at the first national convention, held in Minneapolis. Since that time I have served as national executive committeeman, for the State of Indiana, and many other positions, and by reason of the continuous service since the formation of our great organization down to the present moment I have some knowledge of the manner whereby every important question is determined by its members, and thereafter carried into effect by the national officers.

Misc
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OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section

79th-2nd, No. 56

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued April 1, 1946, for actions of Friday, March 29, 1946)

(For staff of the Department only)

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HIGHLIGHTS: Senate continued debate on minimum-wage bill. Both houses received from this Department proposed legislation to permit FCIC to insure in terms of dollars and to purchase insured commodities on the futures market. Senate received appropriation estimate of $500,000 for forest roads and trails. House passed Philippine trade bill.

SENATE

1. LABOR STANDARDS. Continued debate on S. 1349, the minimum-wage bill (pp. 2843-80). Agreed, 43-31, to the Russell amendment to include farm labor in the parity formula (p. 2878).

2. CROP INSURANCE. Received from this Department proposed legislation to amend Sec. 508 (a) of the Federal Crop Insurance Act so as to authorize FCIC to insure producers of wheat, cotton, and flax against loss in terms of dollars, and to amend Sec. 508 (d) of the Act so as to permit FCIC to purchase insured commodities on the futures market. To Agriculture and Forestry Committee. (p. 2841.)

   The House also received this proposed legislation. To Agriculture Committee. (p. 2920.)

3. HOUSING APPROPRIATIONS. The Appropriations Committee reported with amendment H. J. Res. 328, to make additional appropriations for veterans' housing (S. Rept 1095)(p. 2843).

4. APPROPRIATIONS. Received from the President a supplemental appropriation estimate (in the form of a 1947 Budget amendment) of $500,000 additional for forest development roads and trails (S. Doc. 143). To Appropriations Committee. (p. 2841.)

5. DEFENSE INVESTIGATION. The Mead Committee reported S. Res. 247, to provide it with $85,000 additional (p. 2843).

6. FARM PROGRAM. Sen. Capper inserted Independent Farmers of Kans. resolutions favoring abolition of AAA, price control on farm products, OPA, and subsidies (p. 2842).

7. PRICE CONTROL. Sen. Capper inserted a resolution from Osage (Kans.) Teachers' Assn. favoring continuation of OPA (p. 2842).

8. RECESSED until Mon., Apr. 1 (p. 2880).

HOUSE

9. PHILIPPINE TRADE BILL. Passed with amendments this bill, H. R. 5856 (pp. 2884-914). The debate included statements on the provisions regarding sugar. (For provisions see Digest 55.)

10. SUBSIDIES. Received a N. Y. Legislature resolution urging legislation or cooperation with the Secretary to continue dairy subsidy payments (p. 2921).

11. HOUSING. Rep. Ellsworth, Oreg., criticized the OPA and the CPA as hindering full production of building materials with "red tape" regulations (pp. 2918-9).

12. LEGISLATIVE PROGRAM. Majority Leader McCormack announced the legislative program for this week as follows: Tues. and Wed., private calendar, conference report on the airport bill, and Federal pay bill; Thurs. and Fri., D. C. appropriation bill, bill for employment of additional foreign service officers, and possibly bill to extend the Selective Service Act (p. 2884).

13. ADJOURNED until Mon., Apr. 1 (p. 2920).

BILLS INTRODUCED

14. PERSONNEL. H. R. 5939, by Rep. Jackson, Wash., to increase the rates of compensation of officers and employees of the Federal Government. To Civil Service Committee. (p. 2921.)

15. PATENTS. H. R. 5940, by Rep. Lanham, Tex., to make Government-owned patents freely available for use by citizens of the U. S. To Patents Committee. (p. 2921.)

16. PUBLIC LANDS. H. R. 5941, by Rep. Winstead, Miss., to provide for payments to the States with respect to certain lands of the U. S. To Public Lands Committee (p. 2921.)

17. POSTAGE RATES. H. R. 5942, by Rep. Boren, Okla., to fix the rate of postage on domestic air mail. To Post Office and Post Roads Committee. (p. 2921.)

18. RECLAMATION; FOREIGN RELATIONS. H. R. 5944, 5945, 5946, 5947, 5948, by Reps. Hinshaw, Calif., Sheppard, Calif., Izac, Calif., Phillips, Calif., and Holifield Calif., to define the powers and duties of the Secretary of the Interior with respect to the Colorado River under the treaty with Mexico of Feb. 3, 1944; authorizing the construction, acquisition, and administration of works required for performance of said treaty on the Colorado River. To Irrigation and Reclamation Committee. (p. 2921.)

ITEMS IN APPENDIX

19. LIVESTOCK AND MEAT. Rep. Johnson, Ill., inserted R. J. Eggert's (American Meat Institute) statement before the House Agriculture Committee showing the results of a survey of retail meats in 11 representative cities and the extent of the actual black market in meats (pp. A1865-6).

messages opposing this bill have been received. Not a single labor organization, or representative of labor, including Mr. Petrillo, has come before this Congress or any committee thereof to defend the practices that are being outlawed by the passage of this bill. Remember, all this measure does is to prohibit certain practices in the radio industry which per se—just in themselves—are morally wrong, as the membership of this House so well knows and has so well attested by their approval of this legislation by a vote of something like 10 to 1. So, Mr. Speaker, I am urging this committee report, which supports completely and fully the original position and action taken by the House, be adopted.

Mr. MARCANTONIO. Mr. Speaker, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman from New York.

Mr. MARCANTONIO. The gentleman has passed over very lightly these practices which the bill makes unlawful. Will the gentleman justify the making unlawful of any demand on the part of musicians that they be paid when their recordings are played?

Mr. BROWN of Ohio. There is no provision in this bill that prohibits them from being paid for any recordings they may make.

Mr. MARCANTONIO. I say, when those recordings are played.

Mr. BROWN of Ohio. I will answer the gentleman. The musicians who make these recordings are paid huge sums for making them and they are entitled now, under the law, to receive royalties on the recordings they make. The only difference is that once such recordings are made and go out into the field of use, then union representatives cannot follow through and demand additional payment every time any particular recording is played.

Let me say further, for the gentleman's edification and education, that today, as he well knows, union musicians are receiving higher compensation than ever before in history; that today there are more musicians employed in the United States than at any time in our history; that these recordings and radio appearances have made the musicians of the United States, and their profession, the most prosperous in all of our history, as well as in all the history of any nation on the face of the earth.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman from Mississippi.

Mr. RANKIN. If the views of the gentleman from New York [Mr. MARCANTONIO] were carried out, then we might say to every man who copyrights a book that everybody who reads that book has to pay him tribute?

Mr. MARCANTONIO. Oh, no.

Mr. BROWN of Ohio. Yes. They could collect for every item any machine they might build might turn out.

This is a matter of principle on which the House has passed.

Mr. HINSHAW. Mr. Speaker, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman from California.

Mr. HINSHAW. I note that an amendment has been adopted to subsection (c) providing that the contracts already made or hereafter existing shall not come under the terms of the act.

Mr. BROWN of Ohio. That is correct.

Mr. HINSHAW. Would it be illegal to make a contract pursuant to this act which would require that the musicians who make the recordings—and I am speaking of a particular name band—for example, shall receive compensation when their recordings are played over the air?

Mr. BROWN of Ohio. Not if the contract is made under the usual process of collective bargaining.

Mr. HINSHAW. That is what I mean.

Mr. BROWN of Ohio. Certainly not.

Mr. RABIN. Mr. Speaker, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman from New York.

Mr. RABIN. But you cannot strike to enforce a collective bargaining contract under this bill?

Mr. BROWN of Ohio. Certainly not, if contrary to law and public interest. In other words, this bill does this, as the gentleman well knows, it simply outlaws a strike called to compel someone to do something that is declared illegal.

Mr. RABIN. But you did not declare that illegal.

The SPEAKER. The time of the gentleman from Ohio has expired.

Mr. ALLEN of Louisiana. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] Two hundred and twenty-three Members are present; a quorum.

Mr. LEA. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER. The question is on the conference report.

The question was taken; and on a division (demanded by Mr. MARCANTONIO) there were—ayes 186, noes 16.

Mr. RANKIN. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were refused.

Mr. SMITH of Virginia. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point or order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] Two hundred and thirty-four Members are present, a quorum.

So the conference report was agreed to.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. KNUTSON asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. WHITE asked and was given permission to extend his remarks in the RECORD in two instances and include certain extracts.

Mr. RIVERS asked and was given permission to extend his remarks in the RECORD and include a newspaper article by Rev. W. Montgomery Bennett, of Beaufort, S. C.

Mr. MARCANTONIO asked and was given permission to revise and extend his remarks.

Mr. DOYLE asked and was given permission to extend his remarks in the RECORD and include an editorial.

Mr. RYTER asked and was given permission to extend his remarks in the RECORD and include a report of William H. Davis and Arthur S. Meyer, the mediators designated by Secretary of Labor Schwellenbach on the Westinghouse labor dispute.

Mr. STEFAN asked and was given permission to revise and extend the remarks he expects to make on the Philippine bill and include a letter.

Mr. HORAN asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. CLEVENGER asked and was given permission to extend his remarks in the RECORD and include a statement by Mr. George J. Buchy.

Mr. HILL asked and was given permission to extend his remarks in the RECORD.

Mrs. BOLTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a letter published in the Washington Post relative to General Mihailovich, who has been taken in Yugoslavia, and I ask that this be placed in the permanent RECORD with other similar material of March 27.

The SPEAKER. Is there objection to the request of the gentlewoman from Ohio?

There was no objection.

[The matter referred to appears in the Appendix.]

SPECIAL ORDERS GRANTED

Mr. DOYLE. Mr. Speaker, I ask unanimous consent that today, following any special orders heretofore entered, I may be permitted to address the House for 5 minutes, and to revise and extend my remarks and include a copy of House Resolution 575.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. ELLSWORTH. Mr. Speaker, I ask unanimous consent that today, following any special orders heretofore entered, I may be permitted to address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

EXTENSION OF REMARKS

Mr. GRANT of Indiana asked and was given permission to extend his remarks in the Appendix of the RECORD in two instances, in one to include a letter and in the other to include two editorials.

Mr. GILLIE asked and was given permission to extend his remarks in the Appendix of the RECORD and include a statement made by Mr. Farrington, of the National Livestock Exchange.

Mr. MUNDT asked and was given permission to extend his remarks in the Appendix of the RECORD and include an editorial from the Republican magazine.

Mr. BRADLEY of Michigan asked and was given permission to extend his re-

marks in the Appendix of the RECORD and include a radio address delivered by him.

CORRECTION OF RECORD

Mr. ROBSION of Kentucky. Mr. Speaker, I ask unanimous consent to make some corrections in a speech I made on March 14.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

PHILIPPINE TRADE ACT OF 1946

Mr. DOUGHTON of North Carolina. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H. R. 5856, with Mr. ZIMMERMAN in the chair.

The Clerk read the title of the bill.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 1 minute to the gentleman from Massachusetts [Mr. MARTIN].

Mr. MARTIN of Massachusetts. Mr. Chairman, I asked for this time in order to inquire about the program for next week.

Mr. McCORMACK. On Monday the Consent Calendar will be called. Then the bill, S. 1907, authorizing permanent appointments in the Regular Navy and Marine Corps, will be considered. I understand that bill has been unanimously reported out of the Committee on Naval Affairs.

Mr. MARTIN of Massachusetts. I might add, and the gentleman from Massachusetts [Mr. McCORMACK] has probably had it called to his attention, that the Committee on Election of President and Vice President, headed by the gentleman from North Carolina [Mr. BONNER] has a bill relative to the Federal ballot law which was unanimously agreed on and which I understand is to be called up by unanimous consent.

Mr. McCORMACK. That is true. I understand a bill has been reported out of the committee of which the gentleman from North Carolina [Mr. BONNER] is chairman, and I understand that unanimous consent is going to be asked to consider the bill.

Mr. MARTIN of Massachusetts. I thought it might be well that the House have that information at this time.

Mr. McCORMACK. I am glad that the gentleman from Massachusetts has called it to the attention of the House.

To continue with the program further, on Tuesday, of course, the Private Calendar will be called. Then there is a conference report on the bill, S. 2, the airport Federal aid bill. Then there is the bill, H. R. 5059, the postal employees pay raise bill. There is also the Federal employees pay raise bill. Those three bills will be on for Tuesday and Wednesday.

On Thursday and Friday the District of Columbia appropriation bill will be up for consideration. Also, the bill, H. R. 5244, a bill authorizing the employment of additional foreign service officers in the classified grades.

If, by chance, the extension of the Selective Service Act bill is reported out of the Committee on Military Affairs during the week in time to be considered and in the event such consideration is agreeable to the committee, I would want to bring that up after the District of Columbia appropriation bill is disposed of. I have my doubts as to that, but if it can be considered I would like to bring that bill up.

Of course, any other conference reports may be called up at times agreeable to the House and, of course, such matters will be done after consultation with my friends, the gentleman from Massachusetts, or the acting leadership on the minority side at the time.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Massachusetts. I yield.

Mr. MICHENER. A resolution has been reported favorably out of the Committee on Rules providing for an investigation with reference to the disappearance of certain official papers. The resolution was introduced by the gentleman from Michigan [Mr. DONDERO]. I am sure the majority leader is familiar with the resolution.

The gentleman is also familiar with the fact that it may be called up within 7 days after it was reported.

Mr. McCORMACK. Any time after 7 days.

Mr. MICHENER. It has been reported more than 7 days. The gentleman from Michigan [Mr. DONDERO] told me he understood it was to be taken up next week. Can the gentleman not program the resolution?

Mr. McCORMACK. I am aware of the situation. I am sure if the gentleman from Michigan [Mr. DONDERO] were present, he would probably state that there was no distinct agreement on my part that I would put it down for next week. I am frank to state that I did not intend to program it unless some member of the Rules Committee forced my hand. Of course, I would expect that any member of the Rules Committee, as they always have in the past, would serve notice on me, and under such conditions I would program it. Now, I have not made any arrangements for it for next week. Is the gentleman serving notice on me?

Mr. MICHENER. The gentleman from Michigan is always cooperative in the best interests of orderly procedure. He feels that that resolution is in the best interests of Government. Feeling as he does, and feeling that the distinguished majority leader knows all about the resolution, he wonders why the gentleman from Massachusetts refuses to program it, unless a practice seldom invoked in the Congress is resorted to. The gentleman from Michigan reserves the right to make the motion to call up the resolution by virtue of the 7-day rule. That might inconvenience a program which the leader has outlined. I do not want to do that. Therefore, I am asking the gentleman, in the light of that statement, that he program this resolution.

Mr. McCORMACK. In the light of the program I have made—I waited until after 12 o'clock on Friday—and in the light of the fact that I have made the program, of course, the gentleman says he is amazed at my refusal. Of course, "refusal" was not the correct finding of fact to make. On the "amazement," the gentleman and I might disagree as to the question of fact. But here is the situation: Any member of the Rules Committee can call it up. I know that no member would do so without serving notice on me.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. HOFFMAN. Mr. Chairman, I demand the regular order.

Mr. McCORMACK. I will program it for the week after next, in view of the gentleman's statement.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I yield 20 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Chairman, the debate on yesterday was very interesting, very elucidating, and altogether correct. All through the debates ran the fine sentiment of cordiality, best wishes flowing out from our Congress to the people of the Philippines, and reflected back to us by the distinguished representative in this Congress from the Philippines.

Mr. Chairman, the basis of this legislation is laid in that cordiality. The purpose of this legislation is to put into statute that cordial feeling, so that it might run on to benefit future generations.

It was said on this floor yesterday that probably never before in the history of the world was such legislation as this proposed. The reason for this is that at probably no time in the history of the world has one country shown such fine disposition toward another country which was one of its possessions. Most of the great countries of the world have acquired their possessions by force or by conquest, which is the same thing. But the United States took the Philippines for no other purpose than to free them from the tyranny of another country. It was always our purpose to give the Philippines independence when it seemed that they could maintain their independence. After the Spanish-American War our Nation spoke emphatically on this subject and promised to the Filipinos their freedom. This bill does not give the Filipinos freedom, because they have had that for some time. I should like to impress upon your minds if I can one fact, and that is that this bill has nothing to do with independence, which the Philippines will achieve on the 4th of July next. The independence of the Philippines has all been arranged for by legislation passed several years ago. This legislation is not necessary for that purpose. Also I should like to impress upon you the fact that this legislation is not intended to rehabilitate the Philippines by way of a gift or by way of a donation. No doubt within a few days after the passage of this bill another committee of this House will come forward with proper legisla-

tion that will provide a bountiful donation on the part of the United States to these Philippine people whose land has been so terribly devastated in the last 2 or 3 years. I am sure that this Congress will receive such legislation with favor.

If this legislation is not for the purpose of independence and if it is not for the purpose of financial rehabilitation, then what is it for?

On the Fourth of July of this year the Philippines will be a new, full-fledged member in the galaxy of nations of the world, it will have full national status of its own as a new-blown independent nation. If we are to give economic encouragement to this new nation, now is the appropriate time to be making arrangements to do it. That is what we propose to do in this legislation.

As I have already said we propose not to turn this new nation loose among the nations of the world without any protection or security. After they have come through a devastating war that was fought for their benefit and for our benefit, we are not going to turn them loose on the seas of national and international uncertainty. We are going to give them aid and assistance over a long period of years, so that they can recoup a part at least of what they lost in the war. We are saying to them that for 28 years we will do for them that which we think should be done. What they will need is an opportunity to work and to develop their own industries. The best way to do this is to give them some commercial concessions that are really worth while—some consessions that will stabilize them and give them hope and courage to drive onward and upward.

Of course, they are going to reciprocate. Concessions that we give to them will probably be of no benefit to them when they can reciprocate, for in that we establish friendly relations in trade and in financial transactions.

We who have had long experience in this law-making business know that the law, like man, is sometimes fearfully and wonderfully made. I assure you that this proposed legislation has been wonderfully made. I hope that it does not carry any fearful consequences. It has been said several times in this debate that Mr. Beaman deserves a vote of thanks of the Nation—and I am sure he does of the Ways and Means Committee for his efforts in framing this legislation—I think this is the crowning activity of his long career. Without his assistance I do not think we could have written this bill. While the bill is logical in its conclusions and is complete in its phrasing it does not read like a story book. It deals with a very difficult problem and is naturally hard to read and understand.

The usual way to read a bill is to start with the first paragraph and read straight through. But to read this bill successfully one should start with section 4 on page 30, the executive agreement. Section 4 is the heart of the bill, without section 4 there would be no bill.

The first title, title I, deals, as was said yesterday, with definitions.

Title II provides what the United States must do as its part of this 28-year agreement.

Title III provides what the Philippines must do as their part of this 23-year agreement. But none of these would be of any consequence if it were not for title IV. Let me read part of it:

TITLE IV—EXECUTIVE AGREEMENT BETWEEN UNITED STATES AND PHILIPPINES

SEC. 401. Authorization of agreement.

The President of the United States is authorized (except as hereinafter in this title otherwise provided) to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of the provisions of title II and of title III (except pt. 1) of this act. The President of the United States is not authorized by this section to enter into such agreement unless it contains a provision that it shall not take effect—

(a) Unless and until the Congress of the Philippines accepts it by law; and

(b) Unless and until the Congress of the Philippines (in the act of acceptance, or separately) has enacted such legislation as may be necessary to make all the provisions of parts 2, 3, 4, and 5 of title III take effect as laws of the Philippines, except (during the period prior to the amendment to the Constitution of the Philippines referred to in subsec. (b) of sec. 402) such provisions of section 341 as are in conflict with such constitution.

I have read this section for I want anyone who might compliment me by reading my speech in the CONGRESSIONAL RECORD to see the principal section of this important measure that no doubt will become much more important as time runs on.

Now let us see when can the President enter into that contract with the President of the Philippines? Not until after July 4, 1946. But should we wait until July 4, 1946, before we make any preparations? No. We have in this bill provided everything that we desire to be incorporated in the agreement.

Let us see what this section says. We do not in this section give the President the full authority to make any kind of an agreement that he may want to make. We say to him that he has the right to make an agreement but we provide further:

The President of the United States is not authorized by this section to enter into any such agreement unless it contains a provision that it shall not take effect—

And so forth. In other words, we provide that the President can make an agreement and in the very same paragraph we say he cannot make it unless the Philippine Government does certain things, and, further, unless the United States does certain things.

Here is an illustration of some of the matters that the President must find before he can sign the contract. This is in title IV. It says:

Unless and until the Congress of the Philippines accepts it by law.

In other words, the Congress of the Philippines must accept what we lay down in this charter as conditions precedent before the President can sign. It might be said that this could be considered the act of a tyrant, the act of a despot, for a powerful nation to lay down to one of its possessions what it must do. But that is exactly what we do not do. We do not put any burden on the Philippines that they cannot easily carry. We do not put on them any responsibility that is not for their best interest. We have tested that in every way possible. We have gotten the sentiment of the people as expressed by those who appeared before our committee. We have the sentiment of people who do business in the islands, and we have the experience of our own departments that tell us what should go into this agreement and what will be for the benefit of the Philippines.

Mr. Chairman, again let me say that it is provided herein that the President of the United States is not authorized by this section to enter into such execuive agreement unless the Philippine Congress agrees to do certain things.

I want to impress upon the Members, especially those who are lawyers, that this legislation is a real challenge for one who likes to read complicated statutes which have been well written considering the subject matter. When you read a statute you generally look to see if it has been amended and, if amended, what it was before it was amended. And you then consult your digest to find out if the act has been repealed. Not many statutes carry a repeal date but some do. Most statutes that have been repealed have been repealed by express language in a repealer statute. But we provide in this legislation that we are proposing today that it run for 28 years. We are going to bind ourselves, we are willing to bind ourselves, to a program that will run for 28 years, but we ask that just as soon as they can possibly do it they bind themselves also. We ask them to do it immediately after the 4th of July. The experts from the Philippines and our own experts think that the Philippine Congress will probably adopt the provisions of the law that we have recommended in this act immediately after July 4. It is also provided in this bill that if they refuse to adopt them, we can discontinue negotiations. We do not bind ourselves to do anything beyond the 4th of July unless the Philippine President and Congress act and do the things provided that they should do.

We do not bind ourselves to do anything if they do not meet in congress and if they do not accept the program that we lay down. In other words, we speak first and then wait for their action.

Now then, as I started to say for the benefit of the lawyers, we have a provision in this contract that is what I would call a self-repealing statute. We do not have to take any affirmative action. The statutes that we pass here will repeal themselves by the language of this contract when our President determines that the congress and the President of the Philippines have failed to cooperate properly. Another thing about this legislation I would like to impress upon you is that what we pass today will be our law controlling us and controlling the Philippines from now until the 4th of July, and it will apply because they are our possessions up to that time. But there is no hardship in any of the provisions, and consequently there will be no question raised with reference to that. But I want you to know that complicated as this proposed legislation is, and correlating and interrelating as it is, there is nothing that binds us to do anything after the 4th of July, if the Philippines

refuse to cooperate. Then on the 4th of July if the Philippine government fails to cooperate it will stand just the same as any other government. It will stand without any preferences of quotas, without any preferences of any kind that it would get if it had cooperated fully.

Title IV, as written, is binding and absolutely ironclad; not harsh, not burdensome, but cooperative in every respect. And through it all runs this proposition: That if and when the Philippine people become free and independent, if and when they want to change any of these provisions, all they need do is to get the cooperation and permission of our President and of our Congress, and their president and their congress, and it can be changed. In other words, we lay a foundation for economic freedom for this new nation. I cannot conceive how we could be more fair. We start out with this program with a fair attitude. We are sympathetic. We want them to succeed, and we expect to help them in this noble endeavor. We have brought them up this far and they have cooperated magnificently. Probably no nation of people has ever shown such remarkable advancement in such a short time as the Philippine people. Nobody has ever been able to point the finger of dishonor or disloyalty at them in any respect. Now here they are, a new people, going out into the family of nations, going out with a guarantee on the party of the greatest Nation in the world that they will have a fair start. Today we are doing something that will be long remembered by a grateful people. I am sure that history will record this day as a great day in the march of civilization to higher ground. Our America has shown her greatness by keeping her promise made 40 years ago. Our America is great because she refuses to be small.

Mr. CHENOWETH. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I am glad to yield to the distinguished gentleman from Colorado.

Mr. CHENOWETH. I compliment the gentleman on his very fine statement concerning the Filipinos, and I am sure that every Member of this House concurs in all that he says. I would like to have the gentleman make a few observations on the sugar quotas. There has been considerable speculation over the impact of those quotas on our sugar-beet industry in this country. The gentleman comes, I think, from a State that also raises sugar beets.

I would like to have the gentleman answer this query: Does the gentleman have any apprehension that there are contained in this bill quotas that may have the effect of freezing the sugar-beet-acreage limits in this country?

Mr. JENKINS. Of course, nobody knows what the future has in store. As I have heretofore said, should a condition arise were it is evident that an injustice is being done to the best interests of either country, or any condition whereby it is advantageous to both parties to make a change in the contract and the laws, such a change can be made.

Now to specifically come back to the gentleman's question. The gentleman knows that since the war the sugar industry in the United States has been punished terrifically; as a matter of fact, it has almost been wiped out. Now there is a great clamor on the part of the sugar producers in this country to be restored to their former opportunity, and the members of your committee have kept that in mind and have tried to do that. We have been criticized by some who think we have been a little bit harsh with the Filipinos in that we have reduced their sugar quotas somewhat. As you know we cut the Philippine sugar quota from 850,000 long tons to 850,000 short tons. This is a reduction of about 95,000 short tons. It was the idea of the committee, or at least some members of the committee that this reduction would inure to the benefit of the American producer. Before the war we were getting about 95 percent of all the sugar produced in the Philippines. We have been getting no sugar from the Philippines for the past 3 or 4 years. We shall not get much from them for at least 3 years, for it takes 3 years to develop sugarcane so that it can be harvested profitably.

The Philippines have been a great market for us to purchase what they produce and in return they have found that the American market is the greatest market in which to sell and the greatest market in which to buy.

The Sugar Act of 1937 which followed the Jones-Costigan Act provides for a percentage distribution of sugar for the consumption of the United States. The domestic sugar producers in the United States, Hawaii, and Puerto Rico, were given 55 percent of consumption load, which amounts to the same as saying 55 percent of the production. Forty-four percent was then allotted to the Philippines and to Cuba. The Philippines got about 16 percent out of the 44 percent, leaving Cuba about 28 percent. The Philippine portion, however, was not to be less than the quota allowed them under the Independence Act. If the domestic sugar production could be restored to its proper place in the quotas, about 55 percent, it would pretty well take care of it. Of course, if we come to the place in this country that we are going to protect American sugar to the very extreme of the possibilities of the Nation to produce, if we are going to produce sugar beets to the very extreme that we can produce, and if we are going to produce sugarcane to the very extreme we can produce down in Louisiana and Florida, we probably can supply ourselves with all the sugar we need, but I do not know that that is going to be the policy of the country. We Republicans have been for protection, of course, but I am not sure that that is going to be the policy. Anyhow, I do know that as far as this committee is concerned we have tried to maintain the proper balance as near as we possibly could, and we have been criticized for trying to do a little too much for the domestic sugar producers.

Mr. CHENOWETH. Does not the gentleman agree with me that perhaps there were those in this country that did not fully appreciate the sugar-beet industry until the war came and we had to depend on it for almost our entire supply of sugar? We certainly do not want to destroy an industry that we may have to turn to again sometime.

Mr. JENKINS. I agree with the distinguished gentleman fully. He has always been alert to the best interests of the American beet sugar producers. The war destroyed the Philippine industry so that they cannot produce any sugar of any consequence for 3 years, and the war regulations destroyed the sugar industry in this country, so there they are. They both are prostrated. We hope they both can get up and again walk up to the high place they once enjoyed. They can get up if we can remove the restrictions. There is no reason why we ought not to produce more sugar in this country. Our consumption of sugar has been reduced terribly in the last 3 years. We had a terrible scarcity of sugar all during the war, as the gentleman knows, and we could have had more sugar if those in authority had performed their duties properly.

Mr. CHENOWETH. The first controversy I engaged in when I came to Washington in January 1941 was trying to persuade the Department of Agriculture to reduce restrictions on sugar beet acreage. I hope we are not adopting legislation that is going to impose any further restrictions on sugar beet acreage in this country.

Mr. JENKINS. The gentleman knows that the Republican Congressional Food Study Committee of which he and I are members has for the past 3 years been very active in a movement to bring more sugar to the consumers of the Nation. We were successful in bringing thousands of tons of additional sugar from Cuba. We were not very successful in getting increased production for the American producer. The New Deal has always believed in scarcities while we have always believed that no man gets fat on a scarcity and no man goes hungry on an abundance of production.

Mr. CHENOWETH. I appreciate that.

Mr. MUNDT. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from South Dakota.

Mr. MUNDT. Along the same general line and dealing with a different subject, I should like to seek the gentleman's counsel on another matter, because I value it most highly. The warden of the State penitentiary of South Dakota has communicated with me because we have a State twine factory in the penitentiary, and he seems to be alarmed lest there is something in this legislation that is going to make it impossible for the State penitentiary twine factory to operate successfully. I wish the gentleman would elaborate a little bit on that situation.

Mr. JENKINS. I thank the distinguished gentleman from South Dakota. He asks a very pertinent question. The discussion of cordage would be a long and tedious discussion if I were permitted to exhaust it. This bill allows an absolute quota of 6,000,000 pounds of cordage per year. This quota will continue for the life of the contract. I have some figures here which show the amount of cordage exported from the Philippines in

the 12 years preceding the war. I shall put them in the RECORD at this place. From these figures you will see that the quota fixed under this bill is fair.

Cordage: Quantities and values exported from the Philippines to all countries and to the United States, 1928–40

Year	Total exports		Ratio of total value of exports of cordage to total value of all Philippine exports	Exports to the United States		Ratio of quantity of exports of cordage to the United States to total quantity of such exports to all countries
	Quantity	Value		Quantity	Value	
	Pounds		*Percent*	*Pounds*		*Percent*
1928	14,494,705	$1,775,436	1.1	5,393,029	$721,121	37.2
1929	15,667,016	1,904,272	1.2	6,850,770	932,731	43.7
1930	13,858,457	1,553,227	1.2	6,769,412	841,565	48.8
1931	10,224,805	887,408	.9	4,599,113	460,001	45.0
1932	8,451,224	859,047	.7	4,447,882	411,207	52.6
1933	12,907,781	906,768	.9	6,876,227	567,340	53.3
1934	18,339,701	1,334,110	1.2	8,943,167	785,053	48.8
1935	17,651,445	1,161,815	1.2	8,053,278	628,959	45.6
1936	14,561,103	1,198,870	.8	3,918,022	449,692	26.9
1937	16,449,336	1,436,461	.9	4,660,333	495,967	28.3
1938	15,315,656	1,199,031	1.0	3,236,697	333,468	21.1
1939 [1]	10,767,751	764,060	1.1	3,903,449	326,958	36.3
1940 [2]	21,672,210	1,725,977	1.5	5,348,664	568,381	24.7

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.
Source: Annual reports, insular collector of customs.

I think the cordage people in this country are pretty well satisfied. The members of the subcommittee were fearful that out of this bill and out of what we are trying to do, monopolies would be built up in the Philippines, and that they probably would have trouble shaking off. On the other hand, you must remember that you cannot expect anybody to go into the Philippines to build it up unless those who have already been in there are permitted to return to build it up. If you shut the door against those who have previously been there and have big investments there, you cannot expect any new people and inexperienced men to go in. Capital is timid. We cannot build the Philippines after the 4th of July by anything except what is in this contract, unless we want to give them donations from the Treasury. We do not want to do that. And to their credit, they are not asking that. We want, if we can, to encourage them to do something besides raise sugar and raise cordage and commodities like that; they must diversify their products.

It has taken me a long time to answer the gentleman's question, for I had intended discussing the cordage matter. It is my confirmed judgment that the cordage business is going to work out very well. I thank the gentleman for being patient with me.

Mr. MUNDT. I thank the gentleman very much.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. JENKINS. Will the gentleman from New York yield me five additional minutes?

Mr. REED of New York. Mr. Chairman, may I submit a parliamentary inquiry, just to have the matter clear in the record? We were to have had one day of general debate, but on account of other legislation intervening yesterday, the time of general debate, of course, was greatly shortened. How much debate, therefore, are we entitled to today?

The CHAIRMAN. Both sides are entitled to 1 hour each today. The time consumed by the gentleman from Massachusetts, in the discussion of the program for next week is not taken out of the time for general debate. Therefore, both sides will have 1 hour each.

Mr. REED of New York. Of course, Mr. Chairman, I asked for that information in order to divide the time as equitably as possible between the Members who have asked for time.

Mr. Chairman, I yield two additional minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I am glad to yield to my able friend from New York.

Mr. COLE of New York. I am fearful that the gentleman will not be able to answer my question satisfactorily within 2 minutes time. He was discussing the effect of title IV relating to its effectiveness when this bill comes into operation. I recognize the difficulty in drafting a proposal which is clear to everybody. But apparently the provisions of this bill are not clear at least to one person who has had a very close connection with the drafting of the bill. That is Mr. Vicente Villamin, who, I read in the paper about a week ago, referring to section 403 of title IV, points out that the word "effect" is used 13 times. He is quoted as expressing the hope that when the law has finally gone into effect and the trade agreement has been put into effect, then the Filipinos can start to find out just what has gone into effect and try to keep it in effect during the effectiveness of the agreement. At least to help that gentleman understand the provisions of section 403, I wonder if the gentleman would tell us what is covered by section 403?

Mr. JENKINS. While that language is somewhat alliterative it is not difficult to understand. It is in that section that the duties and obligations imposed on the United States are set out. Without this section the Philippine Government would not be protected properly. I daresay that if the gentleman will read this section through carefully he will, of course, come out with a clear understanding. His bright legal mind will enable him to understand it thoroughly by just one reading.

Mr. COLE of New York. Is this bill the basis for final agreement between the two countries or must this be supplemented by additional legislation to be enacted by Congress?

Mr. JENKINS. Yes, this bill is the basis of the final agreement. It is not necessary for Congress to pass additional legislation. This legislation gives the President the right to make a contract. The terms and limitations of the contract that he may make are clearly and definitely set out in this bill. Of course, the President has some rights which are inherent in his office. But this law stipulates what he shall do, how far he shall go, and what the Philippine Nation can and must do in order to make the agreement effective.

To express in language what the American people and the Philippine people wanted to have done by this legislation was a difficult task. That this task has been well accomplished there is not the slightest doubt. I am proud to have had a humble part in this work. I hope the future will approve what we have tried to do. Hail the day when the great American Republic and the Philippine Republic will light up the great southern Pacific areas with "Freedom's holy light."

The CHAIRMAN. The time of the gentleman from Ohio has expired.

(Mr. JENKINS asked and was given permission to revise and extend his remarks.)

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 20 minutes to the gentleman from Tennessee [Mr. COOPER].

(Mr. COOPER asked and was given permission to revise and extend his remarks.)

Mr. COOPER. Mr. Chairman, the purpose of the pending bill, H. R. 5856, is the establishment of mutually advantageous trade relations between the United States and the Philippine Islands for a period of 28 years following the independence of the Philippines on July 4 of this year. I would like especially to point out that this is a new type of legislation. Legislation of this type has never been enacted before in the history of this or any other country in the world so far as I am aware. We have two types of executive agreements; one is a type known to us as the reciprocal trade agreement where Congress vests certain discretionary authority in the Chief Executive, the President of the United States, under certain broad standards provided in the legislation ,and authorizes the President to negotiate trade agreements with other countries of the world. That is one type of executive agreement that we have in this country.

The second type might be illustrated by the Bretton Woods agreement, where the officials of the executive branch of the Government met with the officials and representatives of other governments of the world and worked out an executive agreement which is later sub-

mitted to Congress for consideration and necessary approval.

Those are the two types of executive agreements we have had up to this point. One, where the Congress authorizes the President to negotiate an agreement under certain broad standards provided by the Congress; and the other where the President negotiates an executive agreement which is later ratified or approved by the Congress.

This bill presents a different situation. Under this bill the Congress is providing by statute that an executive agreement may be entered into with only one other country of the world, and provides under the terms of the bill itself what that executive agreement shall be, for all practical and essential purposes.

This bill contains five titles. Title I includes the short title of the bill, and definitions. I could not too strongly impress upon the Members of this body the importance of bearing in mind the definitions contained in title I of this bill. Every important provision in the bill is dependent upon a defined term that is set out in title I of the bill. A person cannot get any fair consideration or an intelligent understanding of this bill, or the program that is set up under this bill, without constantly bearing in mind those defined terms that are used in title I of this bill.

As an illustration, the term "Philippine article" is defined. That means, first, that it must be produced in the Philippines; second, it cannot contain more than 20 percent of material that is imported into the Philippines from any other country except the United States.

All through this bill where the term "Philippine article" is used you must bear definitely in mind that definition, to have a fair understanding of what the provisions really contain. That would mean that any commodity imported into the United States from the Philippines, assume it cost $1, not more than 20 cents out of that dollar could represent material that was imported into the Philippines from other countries for the manufacture of that article, unless that material came from the United States.

So it is highly important that we bear in mind all the way through the consideration of this legislation that each of the important provisions rests upon certain defined terms that must always be borne very clearly in mind.

Title II of the bill contains the provisions for the things that the United States is to do.

Title III of the bill contains the provisions setting out the things the Philippines must do.

Title IV of the bill provides for the Executive agreement, and the basis or essential terms of the Executive agreement that is to be entered into.

Title V contains various miscellaneous provisions that are necessary to round out the legislation and provide the program that is here presented.

Members of the subcommittee worked diligently and for a long time on this legislation. I was busily engaged at that time as a member of the Pearl Harbor Committee and did not have an opportunity to participate as actively in the consideration of this legislation as members of the subcommittee. Many of them have already spoken and explained more in detail the provisions of the bill. Others will speak along those lines; so I shall not ask your indulgence much longer except to point out the importance of this legislation because of its mutual advantage to the United States and the Philippines.

Prior to the war the Philippines were the sixth best customer of the United States. Large quantities of our cotton cloth and wheat flour and many other agricultural products as well as many industrial products were exported by our people to the Philippines; and, of course, we received many important commodities from the Philippines that we needed in this country and still must have or must procure from some other place in the world. So it is fair to state that the program here presented by this legislation is mutually advantageous to both the United States and the Philippines.

Mr. HARE. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from South Carolina.

Mr. HARE. I know the gentleman's time is limited, and I regret that very much, because I think this is one bill that should be thoroughly discussed and analyzed for the benefit of the public. It has been pointed out rather clearly what concessions we were making to the Philippine Government. I wonder whether the gentleman will not point out here just for a minute or two some of the benefits we expect to derive after July 4, 1946? He referred to the exports from this country prior to the war that made up a trade of great value to this country. What assurance under this bill have we that such reciprocal arrangements will be continued after the war?

Mr. COOPER. Every assurance that the people of a great country can give to the people of another country. Certainly, I know the gentleman would join with me and every other Member of this House in the highest praise of the Philippine people for their great loyalty to this country, the tremendous sacrifice they have made during this terrible war; and we are absolutely confident that they will continue to stand steadfast and firm in their friendship to the people of the United States as they have throughout the decades of the past.

Bear in mind this has in itself far-reaching consequences to the future economy of the United States and the economy of the Philippine Islands. The people of the United States, in all fairness, stand a far greater chance and opportunity to benefit under this legislation than do the people of the Philippines. It will be remembered that we have pushed the outposts of this Nation from where they formerly stood at Pearl Harbor out to the Philippines, great gateway to the Far East, with the teeming millions of the Orient; and the Philippines will be the entrance we shall have to that vast area of the world with its enormous populations to carry forward the trade of the United States and dispose of the things produced by industry in the United States as well as to dispose of important agricultural surpluses that we have in this country.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from California.

Mr. VOORHIS of California. As the gentleman has so well expressed it in his speech, it seems to me this is a measure of much greater consequence than even appears on its surface. I would like to ask the gentleman whether or not he believes I am overemphasizing that? It seems to me that in this bill the United States, in cooperation with the people of the Philippine Islands, may well be setting a pattern upon the basis of which solution of a great many of the critical and pressing problems of many of the peoples of various parts of the world might be solved, some of the problems that are now disturbing the thoughts and minds of numerous individuals around the world. It seems to me that this bill represents an effort on the part of the United States to which we can in the future point with justifiable pride and can use as a pattern whereby many of the other problems in other areas can be solved.

Mr. COOPER. I think the gentleman is entirely correct. It affords a vast opportunity for our country in developing trade in the Far East, in that section of the world with such an enormous population, and this will be our opportunity to advance the foreign trade of our country in that direction because of these relations that we here establish with the people of the Philippines.

Mr. HARE. May I make a short observation at this point?

Mr. COOPER. I shall be glad to have the gentleman do so.

Mr. HARE. This affords one of the greatest opportunities ever presented to this country for you might say the doing of missionary work for its democratic system of government. I feel that in the Philippine Commonwealth the people have developed a fair and definite idea as to the fundamentals of a republican system of government and I am satisfied they will have an opportunity to demonstrate the operation of this principle in the Philippine Commonwealth. If they succeed, then this should be the object lesson for all other nations of the world that have heretofore subscribed to the totalitarian system to show that here is one definite, clear, clean-cut example where people who once become inoculated with this germ of democracy can survive and perpetuate themselves and establish a system of government that will bring happiness, success, and prosperity as no other system of government has heretofore presented.

Mr. COOPER. I appreciate the gentleman's contribution.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Michigan.

Mr. MICHENER. I am wondering what effect, if any, this agreement will have on the favored nations clause in the Trade Agreement Act?

Mr. COOPER. I appreciate the gentleman's kindness in asking that question because it has been asked before

and I am glad to have the opportunity to clear it up.

I invite the gentleman's attention to pages 46 and 47 of the bill, to section 508, entitled "Trade Agreements with the Philippines," which reads as follows:

Until July 4, 1974, no trade agreement shall be made with the Philippines under section 350, as amended, of the Tariff Act of 1930, unless, prior to such time, the President of the United States has made the proclamation provided for in section 407 of this act, or the executive agreement provided for in title IV of this act has been terminated.

In other words, for the life of the program contemplated under this legislation we cannot have a trade agreement with the Philippines under the Reciprocal Trade Agreements Act.

I invite attention also to the following section, 509, entitled "Rights of Third Countries," which the gentleman recognizes relates to the so-called most favored treatment, reading as follows:

The benefits granted by this act, and by the executive agreement provided for in title IV, to the Philippines, Philippine articles or products, and Philippine citizens, shall not, by reason of any provision of any existing treaty or agreement with any third country, be extended to such country or its products, citizens, or subjects.

Mr. MICHENER. I thank the gentleman for that explanation. May I ask another question? Something was said on the floor yesterday about quotas. I make special reference to sugar. Does the bill provide that the tonnage, for instance, of sugar involved, shall be granted by quota to those groups, citizens or people of the Philippines who were producing sugar before the enactment of this law; in other words, is there a monopoly granted to a certain group now existing, or existing before the war, which would prevent the development of new sugar industries or interests in the Philippines?

Mr. COOPER. I think it would be a little more accurate and fairer to state that the bill does confer certain preferential treatment upon those who have heretofore engaged in those activities in the Philippines. The reason for that is this. As the gentleman well knows, the Philippines are now destroyed, devastated. It is thought that it is highly important to get their economy established as quickly and as promply as possible. It is felt by those who are in a position to give your committee the best advice on this subject, that those who have been engaged in those activities and have enterprises located there would be in a better position to get back into production more promptly and thereby assist the rehabilitation of the economy of the Philippines more quickly than any other way, and that is one of the main reasons why certain preferential consideration is given to those who have been engaged in business and these activities in the Philippines.

Mr. MICHENER. Of course, that is an important question, especially in view of our own economy. We have been permitting production in accordance with quotas based on historical backgrounds of the industry in this country. If that is followed through it will prevent the development of new projects engaging in the same industry.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield the gentleman five additional minutes.

Mr. COOPER. I would like to invite the gentleman's attention to one thing with respect to these quotas, especially sugar. I think it is entirely fair and accurate to state that the program provided under this bill is more to the advantage and interest of our domestic sugar producers than the situation that exists without the enactment of this legislation, because under this bill there is an absolute quota of 850,000 short tons of sugar that can be brought into this country from the Philippines, whereas without this legislation the quota is 850,000 long tons that can be brought in free, and they can bring in all they want to over that and pay the duty on it. But under this bill an absolute quota of 850,000 short tons is fixed and they just cannot bring in any more than that amount.

Mr. JOHNSON of California. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from California.

Mr. JOHNSON of California. Does the gentleman agree with me that this bill will, as a byproduct, prove to be a great step toward world peace? The reason I make this statement is this: We have already passed a bill to liberate the Philippines and the bill before us is designed to give aid to the Philippines in their economic problems in the early days of their liberation. If we can help stabilize the economy of the Philippines during the time when they are getting started in self-government, we will do much to make sure that the liberty which we gave the Filipinos will be properly exercised. The success of this policy may well serve as a model for the liberation of other peoples who have a right to look forward to independence. Imperialism is sometimes a stumbling block to the development of self-government. In the early days of our ownership of the islands we told the Filipinos, in substance, that "we will give you your freedom when you have the capacity to handle self-government." We have kept our word and during the infancy of this country we have also determined to help the new member of the family of nations to stabilize its economy. Millions of people in that part of the world are looking hopefully toward the day when they may, like the Philippines, become free and independent. No one knows how far-reaching or important our conduct today may be. Also, I think we should not merely get along with, help, and encourage the country but we should understand and know better the Filipinos. If the people know and understand each other, peace is almost inevitable. What we do today may be one of the bricks that will build the temple of peace that we are all looking and hoping for. I want to compliment the committee and its members for bringing out a bill on which there is unanimous agreement. Their conduct can be truly described as statesmanship that not only will bring good trade relations of the countries involved, but will help the people in their infancy in self-government, and will help build a more peaceful world.

Mr. COOPER. I think the gentleman is correct. In addition, it will be of tremendous advantage to this great country of ours to have this free and independent nation in that far outpost of the Far East standing there as the steadfast and true friend of the United States, as it has throughout all the decades of the past. It is of tremendous importance to us from the standpoint of peace as well as the great advantages that come to the people of this country from the standpoint of increasing the possibilities of our foreign trade.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from New York.

Mr. REED of New York. Further, we are underwriting the safety and defenses of the Philippines by having various fortifications there, so that they need not fear an enemy. They will know we are there to help them.

Mr. COOPER. The gentleman is correct. I think it will be of great benefit and importance to our country.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Michigan.

Mr. DONDERO. Is there anything in the bill that would prevent the introduction of new industry for the expansion of the sugar industry of the Philippines?

Mr. COOPER. There are certain limitations provided in the bill, but at the same time there are certain provisions included that do allow a redistribution of the quotas that are assigned to the sugar producers there. For instance, where quotas are assigned to producers and those quotas are not used, the Philippines can redistribute the balance of those quotas.

Mr. DONDERO. The purpose of that question was to see whether or not there is any restriction which would limit or forbid the Philippines from producing that crop, which seems to be their cash crop, in order to make them self-sustaining as quickly as possible.

Mr. CURTIS. Mr. Chairman, will the gentleman yield? I would like to answer that question.

Mr. COOPER. I yield to the gentleman from Nebraska.

Mr. CURTIS. The only limitation on the Philippines is on the sugar sent to the United States. There is nothing in this legislation limiting how much sugar they can raise and consume themselves or send to the rest of the world. This is merely that part of it that comes to our market.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Michigan.

Mr. MICHENER. There is something in this bill that limits the raising of that sugar to certain persons or companies.

Mr. CURTIS. That is the sugar that comes to this country only.

Mr. MICHENER. Yes. In other words, under this bill, the established concerns, as I said a little while ago, with historic background, can continue to produce the sugar coming to this country up to 1974, and no new industry may enter that business so far as exporting the product to the United States is concerned.

Mr. COOPER. As I endeavored to explain to the gentleman, those there do have certain preferential advantages, which I endeavored to point out.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Nebraska [Mr. STEFAN].

THE PHILIPPINES—MERCY AND JUSTICE FOR OUR FRIENDS

Mr. STEFAN. Mr. Chairman, this is a solemn moment for me. I rise to defend and to advocate the passage of H. R. 5856, a bill to provide for trade relations between the United States and the Philippines. The destiny of the people of this Nation and the destiny of the courageous Filipino people are inextricably bound together. My own remembrances of American times of crisis in the past, my own hopes of American achievement in the future are joined with the remembrances and hopes of 18,000,000 Filipinos in the firm and enduring bonds of comradeship.

The Philippine Trade Act of 1946 is, as I understand it—and I have followed it carefully through all its stages of development as a legislative measure—not a gift, nor is it a repayment. No gift could take away from the anguish of starving, homeless, disease-ridden men, women, and chilren. No payment of any kind could lessen the degree of suffering of those who have endured the devastation of their cities, the brutality of prison camps, the bestial arrogance of the Japanese invader, the loss of their loved ones, death itself. No. Gold could not atone for blood nor may we condescendingly bestow upon these gallant Filipinos—heroes every one—that which is already rightfully their own. We must act as strong men dealing with strong men, with the dignified humility which becomes equals, by passing this bill which will give the Filipino people their first opportunity in this peace which we have jointly brought about to live as equals.

What have the Filipinos done to burn their right to equality and fair, just consideration into American minds, American hearts—our very American souls? Turn back the clock only a few short months. It is dawn on a June day. The satanic fireworks of American and British might are blasting the defenses Hitler built up over 4 years to bulwark his Fortress Europa. Men—American and British men—are falling, wounded and dying on the beaches of Normandy. And, when the casualty list is checked, it is found that out of every 100, 70 casualties were American, 30 British. This was the proportion that they fell for that is the way they went in, 70–30, 30 British, 70 American.

Now, I give you another picture. It is Leyte. It is Lingayen Gulf. It is Mindanao. Americans are pouring ashore. American heavy ordnance is firing from American battlecraft. American planes are droning overhead. The Japanese hold momentarily. Then, they fall back in retreat. Not in the bush, where they might enjoy some short security from our vigilant aircraft. No. They take to the open roads where they have poor chance of survival. Why? Because, back in the bush, on the flanks, at their rear, are brown men with bolos in their hands, with captured Japanese rifles at their shoulders. They are ragged, these Filipino guerrillas. They have marched for days on starvation rations. One man in 5 carries a gun. Of course, they die before the desperate Japanese onslaughts. But, where one falls, another takes his place. This is another Thermopylae, another Little Big Horn, another Alamo. There is a light in the eyes of those men, a light that not even death can fully extinguish. It is the light of freemen fighting for freedom.

In some cases, yes; in most cases, the proportion of Filipino-American casualties was not 50–50 or 60–40 or even 70–30. It was 90–10—90 Filipinos to 10 Americans.

What does this mean? You know what this means. It means that, because Juan de la Cruz opposed a modern rifle with his shattered bolo there is an American Congress, instead of a Japanese Diet in Washington. It means that, because Benedicto Gonzales chose the way of the patriot and joined the guerrillas in the hills—knowing that the hated Japanese would burn his home—John Smith drives back to his home on Main Street in your town today, a home that is intact and free from the torch of the Japanese destroyer. It means that, because the merciful junglegrowth now covers the sightless eyes and the gaping hole in Tomasco Lopez's chest, Lars Peterson can go cheerfully on with his job of spring plowing on his Nebraska farm.

This is my remembrance of Filipinos. I know that most of you share this remembrance with me. How then can we talk in such terms as "gift" and "repayment"? They look to us. We must meet them as equals—with the first step toward the equality of our national economies—with the Philippine Trade Act of 1946.

Our bond of friendship with the Filipino people does not alone extend deep into our common yesterdays, but through today and into our common tomorrow. We need this brotherhood in peace as we have needed it in war. We need it for the sake of the Filipinos. We need it for our own sake.

The Philippines is not only the oldest Christian nation in the Far East: it is the only Christian nation. Yet, in the few short months since the shooting war ended, communism—the camp follower of hunger, pestilence, and privation—has spread into three Philippine provinces. In less than a hundred days Filipinos will be free to govern themselves. They will be a new nation. Filipinos know what democracy is. They fought to gain it. They died to gain it. They would only abandon it if they first abandoned hope. The Philippine Trade Act of 1946 would be the first step in keeping hope alive for them.

What Congress does in regard to this legislation will not only be watched by Americans. It will be watched by the world. The half billion people of the Far East are searching for the light; they want to know that there is at least one Western nation which deals fairly with their brothers of the Orient. The trust of far eastern peoples in the United States would mean a mighty impetus toward a better world. Nor would the trend stop there. The champions of small nations everywhere would be heartened by the example of this small nation who kept faith with us and with whom we kept faith. Such an act of confidence in equals by the Congress of the United States would show the world what America really is—not desirous of territorial aggrandizement, ever desirous of fostering the growth of peace and justice, for one cannot exist without the other.

I would go even further than the Philippine Trade Act of 1946 in certain provisions. For example, I believe that the total amount of all Philippine sugar entered or withdrawn from warehouses in this country for consumption should be set at 850,000 long tons a year, instead of 850,000 short tons, as the Trade Act provides. I believe that the Filipino people should not be let down by this Congress in any way whatsoever. They were the sixth ranking American foreign customer before the war. I do not believe that they should occupy a lower rank on the list of those who deal with us after they have attained to the independence they so richly deserve.

During the soul-searing days of the war the Filipino people heard the Voice of America over their hidden radios—and they believed that voice. They had reason to believe that voice as it came to them before and after they became a Commonwealth. General MacArthur told them that he would come back and he did come back. What he did was a symbol of the faith that they had a right to place in all our promises. They well know that freedom, without hope of economic security, is only another form of tyranny. Whether or not that promise is written, that promise exists. They did not fail us. We must not fail them.

Two thousand years ago, St. Paul asked: "Am I my brother's keeper?" Today—20 centuries later—we have found the answer. We are our brother's keeper and the Filipino is, in word and in deed, our brother. We must keep him fed. We must keep him clothed. We must keep him housed. We must keep him economically strong. We must keep him alive. We must keep him free.

Gentlemen, I ask your support for the Philippine Trade Act of 1946—the first forward step on the road to true liberty for a brave and an honorable people.

(Mr. STEFAN asked and was given permission to revise and extend his remarks.)

Mr. REED of New York. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. WOODRUFF].

(Mr. WOODRUFF asked and was given permission to revise and extend his remarks.)

Mr. WOODRUFF. Mr. Chairman, some columnists, radio commentators, Government spokesmen, and political leaders have, during recent days, become greatly excited over a decision on the part of the members of the Ways and Means Committee to modify the Philippine quota of sugar to be permitted entry into the American market free from duty. It should be recalled that back in 1924 the figure 850,000 long tons was inserted in the legislation merely as a guide to indicate an outside figure of the amount of cane sugar to be given free entry into the American market. This was not intended as a quota under the new sugar program which was developed immediately following the passage of the Reciprocal Trade Agreements Act in June 1934.

In order to set the record clear, it should be recalled that total production of cane sugar in the Philippines averaged only 820,000 short tons of raw sugar annually during the 5 years 1925–29. On account of a tremendous drive to increase production in the Philippines, since all sugar from the Philippines was at that time admitted free of duty, the production of raw sugar in the Philippines was increased to an average of 1,175 tons per annum during the 5-year period of 1930–34. But this figure was largely the result of the three tremendous crops harvested in 1931-32-33. Literally everything in the islands was harvested in 1933 in order to establish a high base indicator of total production possibilities. In that year the calculated yield of cane per acre was higher than during any other year of the history of the Philippines and total production of raw sugar was estimated at 1,653,000 short tons. That, however, was no guide of the total economic production. During the 5 years 1935–39 total production averaged only 1,100,000 tons per annum. It is generally recognized that this is an outside figure of anything like economic production in the Philippines. The average number of acres of sugarcane harvested in the Philippines during the 20-year period 1920–40 was slightly under 600,000 acres. And yet, in the year 1933 there were 756,000 acres harvested, indicating that even the lowest yield and poorest crops of stubble cane were harvested in order to get an abnormal base from which to measure theoretical possibilities. Actual acreage harvested during the 5 years 1935–39 did not exceed the acreage harvested during the earlier period 1920–24.

All independent objective students of sugar production in the Philippines report that a very considerable acreage now devoted to sugar is uneconomical and could only be perpetuated under a system of free entry into the American market. In other words, it is perfectly clear that, when the American tariff is made to apply to sugar from the Philippines, a considerable acreage of this marginal sugar load will be forced out of production. At the present time, therefore, it would seem like sound public policy to not encourage the Philippines to return to production of sugarcane on much of this marginal land. Some of this land, however, is admirably adapted to the production of rice, corn, beans, cassava, vegetables, and other farm crops, which are tremendously needed by the people of the Philippine Islands to provide them with normal food requirements.

In any scheme to remiburse investors in the Philippines on account of damage done during the war, there should be no requirement to the effect that all old sugar mills and plantations must be restored. It is well known that practically all such mills were either destroyed, dismantled, or otherwise made unusable. While those who lost money should be partly compensated for their loss, they should not be required to restore production on uneconomic areas.

Another fallacy presented to the American people is the idea that sugarcane grows abundantly in all parts of the Philippines and that the yield of cane per acre far exceeds the yield in other parts of the world. This is an absolute fallacy. As already indicated, probably not more than half a million acres of profitable sugarcane land is under cultivation in the Philippines, and some of this is the result of relatively recent unwise exploitation. The yield of sugarcane per acre in the Philippines does not differ from the yield in Louisiana, Cuba, Puerto Rico, and so forth, and the yield of sugar per ton of sugarcane is no better than in continental United States and in the Latin-American countries south of us.

Any sound policy now developed should be realistic and not hysterical. Probably every American is prepared to give people of the Philippines full credit for their magnificent cooperation with the United States. This differs from the attitude in most of the great colonial empires. But it will do no good to become hysterical and impose upon the Philippines or upon the Government of the United States a task which would be quite uneconomic and undesirable from the standpoint of both countries.

There is no particular reason why all of the sugar produced in the Philippines should be shipped half way around the world to markets in the United States. The people who have investments in sugar production in the Philippines might very well turn their attention to the possibilities for a market of at least part of their product in Asiatic areas. It is proverbial that the people of that part of the world are very much in need of greater sugar production for their own use, and part of the production in the Philippines should be diverted to the demands of that area. This undoubtedly will be found to be necessary over a period of 20 years when American tariffs and quotas apply more specifically to production from the Orient.

In this connection, it should be noted that in the Island Formosa—Taiwan—just north of the Philippines, there has been a production of sugar during the 5 years 1937–41 exceeding production in the Philippines. Indeed, it is estimated that in 1941 raw-sugar production in Formosa was approximately 1,422,000 short tons, while total production in the Philippines was 1,167,000 short tons. Formosa, under control of Japan, supplied the sugar requirements of Japan. Now, however, since Formosa has been turned back to China, it may be presumed that all of the sugar from Formosa will be sold or in some manner distributed among the people of China. In other words, Japan, during the years ahead of us, will require at least a million tons of sugar from some source, and the Philippines would seem to be the natural sources upon which they must draw for at least half of their requirements. Incidentally, the Japanese in turn will undoubtedly have other products which they could sell in the Philippines in exchange for the sugar. There are other markets in the Orient which could and should absorb at least a part of the sugar from the Philippines.

It has already been noted, first, that sugar production was overexpanded in the Philippines and that it would be wise economic policy not to restore uneconomic areas and sugar mills, and, second, that there are other markets for sugar in the Orient which would be more economical than shipping the entire Philippine output halfway around the world to the United States when continental resources and Latin-American countries are fully capable of providing all the sugar needed in this country.

But there are other very strong reasons why a wise agricultural policy should be promoted in the Philippines, entirely apart from the sugar program.

Anyone famliar with the dietary needs of the people of the Philippines and with the agricultural policies followed in the past must be aware of the fact that during normal years the Philippines are tremendously deficient in rice for home consumption. During the 5-year period 1935–39, when much land was unwisely devoted to sugarcane, the Philippines found it necessary to import an average of nearly 60,000 tons of rice annually. This would be equal to 2,000,000 bushels of rice, which represents the normal shortage of rice in the Philippines. The Philippines are also short of corn, wheat, starch, and other cereals and cereal products, many of which can be produced to good advantage right there in the Philippines. Imports of flour on the average during the same 5-year period considerably exceeded 3,000,000 bushels, while imports of corn and of starch were substantial. Other forms of starch, such as tapioca, arrowroot, and so forth, cassava, and other starch-bearing products, are economically grown in the Philippines.

The Philippines were also very large importers of fresh green vegetables, fresh roots—potatoes and so forth—canned vegetables, dried beans, peas, and other vegetable products currently needed by the people. Practically all of these green vegetables and roots are successfully grown and many of them could be grown to advantage on land now devoted to sugar. Incidentally, 200,000 bushels of dried beans and peas are imported into the Philippines when these can be grown to advantage in many parts of these islands.

The Philippines are also large importers of fresh fruits and dried fruits, and yet about the only fruit product exported consists of canned pineapple.

There could be a very large expansion of fruit production for domestic use in the Philippines. Peanuts and other nuts should also be included in the same category. Extensive surveys of agricultural possibilities in this direction have been carried on and very encouraging reports have been made.

It is unnecessary to make special reference to the tremendous production of coconut products in the Philippines. Literally hundreds of millions of pounds of copra, coconut oil, and other coconut products are exported, some of which could advantageously be consumed at home, thus greatly increasing the standard of living of the people of the islands.

Without getting into further details, it should be noted that both tobacco and various fibers are produced to great advantage in the Philippines, and tobacco and other fiber products in many cases could be much more profitably and economically grown than sugar.

The people of the Philippines during the same 5-year period before World War II were large importers of fresh meats, canned meats, dried, smoked, and otherwise prepared meats, dairy products, and canned and prepared fish products. A very large expansion of these livestock or animal products could be developed to advantage in the Philippines, thus give employment to large numbers now unable to support the very lowest standards of living as laborers and tenants on the sugar plantations. In fact, it is generally contended that the lowest standards of living are found among those producing sugar for export to the United States. Wage rates and other conditions are considered the very lowest to be found almost anywhere. In other words, other branches of agriculture, even in the Philippines, are much more conducive to high living standards, good health, and so forth.

Many surveys have been made, which indicate that there are other miscellaneous crops which can be produced in the Philippines to advantage. A well-recognized agricultural and industrial program would seem to offer very much more profitable opportunities for development than this hysterical clinging to sugar as the one outstanding specialized crop.

This brief reference to possibilities of Philippine agriculture is merely to call attention to some aspects of the sugar and other agricultural activities of the Philippines, and no attempt is made to go into the question of forest products fishing industries, mining, and quarrying and other opportunities for developing the Philippines into a highly prosperous independent nation.

Mr. Chairman, I shall quote briefly from a very splendid magazine article by Francis B. Sayre.

Mr. Sayre is a lawyer by training. He gained his first experience in the Far East when in 1923 he served as adviser in foreign affairs to the Siamese Government. In 1925 and 1926 he negotiated in behalf of Siam new political and commercial treaties with the great powers. In 1933 he was called to Washington, where for 6 years he served as Assistant Secretary of State charged with the negotiation of the American trade agreements. The President appointed him High Commissioner of the Philippines in 1939, and he observed the islands closely and fairly during those precarious years when the commonwealth was finding its feet. In 1942, after the departure of President Quezon, acting under instructions from President Roosevelt he escaped with his wife and young son by submarine from Corregidor when surrender was inevitable.

Mr. Sayre is a deep student of everything which gains his interest. That he is deeply interested in the future welfare of the people of the Philippine Islands is indicated by his splendid article entitled "Freedom Comes to the Philippines," which appeared in the Atlantic Monthly of March 1945, and which I inserted in the CONGRESSIONAL RECORD on February 21, 1946. I had this splendid article printed and placed a copy thereof on the desk of every Member of this House and of the Senate for their information. I commend to every one of you a careful reading of the entire article.

I quote:

Perhaps the greatest difficulty confronting the new government will be how to achieve economic independence. When the Philippines became part of the American Nation in 1898, the Filipinos were given free access to the highly protected American market—one of the richest in the world. This right to send Philippine products into the United States free of duty and to sell them there for remunerative prices, while other nations had to pay high duties on similar imports into the United States, proved to be an economic gold mine for the Filipinos. For instance, because they could ship sugar duty-free to the United States, Philippine sugar producers in 1937 reecived about $41,000,000 more than they would have obtained if they had sold an equivalent amount of sugar at the world price.

Under such conditions it has been inevitable from the outset that the Filipino people should concentrate their productive effort upon those commodities which could be sold in the United States market at prices maintained above world levels by American legislation. Of the total value of Philippine exports, the United States accounted for 19 percent in 1900, 46 percent in 1910, 70 percent in 1920, and an average of 85 percent in the 5 years ending in 1940.

In short, although during the past 40 years we were doing everything possible to prepare the Filipinos for political independence, the effect of our economic policy was to make them even more dependent upon the United States. With four-fifths of Philippine products before the war dependent upon American markets, the United States could not suddenly shut Philippine producers out of the duty-free American markets without entailing grave injury to the entire Philippine economy.

Permanent free entry for Philippine products in the American market offers no solution. If the Filipino people are ever to have the independence which they crave, clearly their fundamental economy and means of livelihood must be free from dependence upon changeable legislative majorities in the United States Congress. Political independence without economic independence would be a mockery.

* * * * *

When liberation comes, presumably sugar cultivation in the Philippines will be on a home-consumption basis. If the new Philippine Government after the war is wise enough and strong enough to prevent a return to prewar sugar production figures, one of the great milestones on the way to economic independence will be passed.

* * * * *

The solution of their economic problem will be a thorny and difficult task. It is not insoluble. American ingenuity and technical skill will be at the call of the Filipinos to help in the solution.

* * * * *

Because the present economic dependence of the Filipinos upon the United States is largely of our own making, and because it is to our own interest to build for future stability in the Pacific, the Filipino people must be given their independence under such conditions as will assure them sound economic foundations for their future. The American people will not be content with anything less.

Washington, D. C., MARCH 28, 1946.

Hon. ROY O. WOODRUFF,
House Office Building,
Washington, D. C.

MY DEAR CONGRESSMAN: My attention has been called to a considerable amount of excitement stirred up among columnists, radio commentators, editorial writers, and propagandists in general over the fact that the Ways and Means Committee (in the Philippine Trade Act of 1946—H. R. 5856), adopted the American standard of weights, the short ton, in setting the quota of sugar which may be imported annually—in place of the British standard weight, or long ton.

Webster's New International Dictionery gives the definition as "Ton: A large weight, usually diverted into twenty hundreds weight."

It then proceeds to give three special definitions, (1) the short ton, commonly used in the United States, (2) the long ton, commonly used in England, (3) the metric ton, commonly used in the Latin countries, and (4) other special definitions dealing with coal, shipping space, etc., are then given. The following are the three definitions noted after the general definition of "ton":

(a) The weight of 2,000 pounds (907.20 kilograms), often called short ton. It is the one in common use in the United States, Canada, South Africa, etc., and is used to a small extent in England, especially in Liverpool.

(b) The weight of 2,240 pounds (1,016.06 kilograms), often called the long ton or gross ton. It is the ton in common use in England and is employed for certain purposes in the United States and elsewhere.

(c) The weight of 1,000 kilograms (2,204.6 pounds), usually called to metric ton.

Perhaps it would be proper to refer to the fact that in all standard reports of Government departments in Washington, the standard short ton is used, and all items are converted into this standard ton. This applies to sugar, as well as to thousands of other commodities.

If I had any suggestion to make, it would be that the use of the short ton be extended to other parts of the pending bill. I am referring especially to the quota for coconut oil. If my memory serves me right, we have never imported as much as 200,000 long tons of coconut oil from the Philippine Islands during any year in our history, and in only 2 years did we reach 200,000 short tons. A change, therefore, to the short tons could not possibly be interpreted as a penalty or indicate any desire to injure the trade relations between the Philippines and the United States.

Very sincerely yours,

JOHN LEE COULTER.

Mr. Chairman, the bill now before us follows in part at least the lines laid down by Mr. Sayre, and if finally made the law, I believe will contribute to a wonderful period in the life, prosperity, and continued happiness of the Fili-

pino people. I hope the bill will receive the unanimous vote of this House.

Mr. Chairman, I yield back the balance of my time.

Mr. REED of New York. Mr. Chairman, I ask unanimous consent that the gentleman from New York [Mr. LeFevre] may extend his own remarks in the Record at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. LeFEVRE. Mr. Chairman, I very much approve of this legislation. As a member of the Insular Affairs Committee, I have had the privilege of hearing of the present conditions in the Philippines and, therefore, realize the grave necessity of its passage. Our very able chairman the gentleman from Missouri [Mr. Bell] the author of bill, H. R. 5856, has spent a great deal of time in an effort to bring us a bill that is fair to both the United States and the Philippines. He has had the fullest cooperation of the Ways and Means Committee and I can say that committee has handled the problem in a nonpartisan manner, in the same spirit as our Committee on Insular Affairs deals with the problems of our insular possessions.

The people of the Philippines bore the brunt of our war against the Japanese. Thousands of these people were killed and their property and lands devastated. Throughout this mad rush the Filipinos were our loyal and courageous allies.

One could not sit in yesterday's session and hear those eloquent words of the able Resident Commissioner of the Philippines [Mr. Romulo] without realizing the sincerity of these long-time friends. There exists a bond between our two countries which I hope will never be broken. This trade-relations bill will provide new life and incentive to the Filipinos. It will give their businessmen an opportunity to get on their feet and we have reason to feel that within the next 28 years—the life of this act—these worthy people will build a true economic independence and so maintain a strong position in the world.

Following our acquisition of the Philippines from Spain some forty-odd years ago, we have continuously aided the Philippines to be dependent on the American duty-free market. We needed their sugar, tobacco, coconuts, and hemp. It is my understanding the great bulk of their exports came to the United States. Now with the economy of their country practically gone, we have the moral duty to help rehabilitate their agriculture and industries. When the Philippine Indepedence Act was framed in 1933, no one knew the war would devastate that country in 1941. The independence program is going ahead. We are going ahead with our program of economic assistance. This is to our interest and is the sincere desire of the Filipinos. We can and will gladly help them with capital, with markets, and with counsel.

I wonder whether we Americans realize the importance of these people. There are 18,000,000 of them. There are approximately 7,000 islands involved and roughly 7,000 miles from our western coast. Within a radius of 2,500 miles of Manila, there lives nearly one-third of the population of the world. The eyes of all the great nations are watching the progress to be made in the Philippines. Let these people know our philosophy by our actions. July the 4th this year will be a great day in the Philippines. It will also be a great day for us Americans. This piece of legislation should help this first trial of democracy in the Orient and we must back this effort to the limit.

Mr. REED of New York. Mr. Chairman, I ask unanimous consent that the gentleman from Indiana [Mr. Gillie], may extend his remarks in the Record at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. GILLIE. Mr. Chairman, in supporting this legislation, I cannot let pass this opportunity of expressing my deep feeling of gratitude to our Filipino comrades, and my intense admiration for that great patriot, soldier, and statesman, Gen. Carlos Romulo, whose friendship I will always cherish.

The people of America will never forget how the Filipinos gave their blood, sweat, and tears to win the war, fighting side by side with our own soldiers against overwhelming odds. Even after Bataan they continued their brave resistance, going underground to harass the Japanese and help us to final victory.

Within a few short months, our friends in the Philippines will start their adventure into self-government. They will face many trials and tribulations, but they already have proved to the world that they have the determination and ability to suceed in the face of great obstacles.

We in America must always be ready to extend a helping hand. The passage of this bill is but a first step. With our friendship and cooperation, the republic of the Philippines should enjoy peace, prosperity, and independence for many generations to come.

Mr. REED of New York. Mr. Chairman, I yield one-half minute to the distinguished gentleman from Wisconsin [Mr. Keefe].

Mr. KEEFE. Mr. Chairman, the bill which is before the House is exceedingly complicated and very difficult for the average Member of Congress to understand. I have tried to familiarize myself with the problems presented in this bill, and the four bills, of which this is one, involving the Philippine question. It is understood that the war-damage bill will come before the House for consideration perhaps next week.

In order to gain the point of view of the Filipino people as represented in the person of Mr. Vicente Villamin, I asked him to prepare for me a statement which I could read and understand with reference to this and the other legislation.

Under permission granted in the House, I incorporate Mr. Villamin's statement in my remarks.

He writes as follows:

FILIPINO DISCUSSES PHILIPPINE BILLS—MAKES FAR-REACHING SUGGESTIONS

(By Vicente Villamin)

Congress desires to help the Philippines rebuild herself and make her independence scheduled for July 4, 1946, successful.

CONGRESS IS ACTING

Four bills have been considered by Congress and two of them are already laws. These latter two are an act placing the Philippines within the operation of the Export-Import Bank of Washington and an act turning over to the Philippine Government the accumulated internal taxes on certain Philippine products amounting to $73,000,000. The trade bill will be discussed in the House from tomorrow (March 28). The rehabilitation bill, which passed the Senate on December 5 last, is still in a House committee. Congress authorized in 1934, but never appropriated, the payment of about $24,000,000 as the "profit" of the Philippines based on the dollar-peso ratio from the devaluation of the American dollar, from which operation the American Government made a "profit," which was utilized as expendable funds, of around $2,800,000,000.

To appreciate the effects of the trade bill (H. R. 5856) and the rehabilitation bill (S. 1610), an exposition of Philippine conditions is essential.

WAR DAMAGES

The War Damage Corporation, an RFC subsidiary, sent three investigators to the Philippines and reported that the approximate total war losses amount to $800,000,000, of which $196,000,000 is public property, $464,000,000 is private, and $139,000,000 are religious properties. The industrial losses may be roughly estimated as follows: Sugar 65 percent, coconut oil 95 percent, tobacco products 95 percent, mining 70 percent, shipping 70 percent, and land transportation 60 percent. The estimate of losses by the Philippine Government is over $1,200,000,000, which in point of completeness and present-day replacement values is logically the more nearly correct figure.

The Philippine government today is spending on the basis of $150,000,000 per annum on an uncertain income of less than $40,000,000. In normal times, the annual budget was balanced at approximately $60,000,000. On the day the Philippines becomes a republic it will be in debt and funds will have to be found to operate it.

TWO MONETARY ITEMS

However, there are two financial items that lighten up the sombre picture—items which if wisely used could bring about the country's revival from war and which could be the functional base for its future stability, prosperity, and progress. These are: (a) The $520,000,000 which Congress will appropriate to meet partially the war damages and (b) a national nest egg of some $500,000,000 which the Americans spent in the Philippines during and since the war. This grand total of $1,020,000,0 is four times the value of the country's annual production, nine times its yearly exports, and seven times the monetary circulation.

Under the trade bill, if not prevented by administrative regulations, the Philippines will exhaust those two financial assets in 5 to 8 years, precipitating a severe economic depression. Not that the law is not helpful, but rather it is not helpful enough, and in the evaluation of advantages, the United States comes out at the long end and the Philippines the short, presenting the spectacle that it is the United States that is being helped primarily.

PHILIPPINE FOREIGN TRADE

Over 90 percent of Philippine production, outside of the people's two main articles of diet—rice and fish—is exportable surplus.

An estimate of the Philippine-American trade in the 5 years following independence should convince Congress to make the trade bill more liberal to the Philippines.

The normal trade between the two countries is roughly $225,000,000 yearly. In the next 5 years the Philippines, by reason of the inherent paucity of rehabilitation, can export to the United States less than one-half of normal, while the United States, precisely on account of the need for rehabilitation, will export about two times the normal amount. There are no quantitative restrictions on American products entering the Philippines, although Philippine products are under quota limitations in the United States.

UNFAVORABLE BALANCE

Expressed in figures, the average annual exports of the Philippines to the United States, including precious metals, will be about $80,000,000, against imports of approximately $200,000,000, or a balance against the Philippines of $120,000,000. In prewar years the Philippines was on the debit side of the ledger in the sum of $25,000,000 a year in the exchange of items ("invisible items") like freight, insurance, investment returns, handling, financing, remittances, and other expenditures. In the next 5 years those items will go up to $50,000,000 at least a year. Thus, the total balance against the Philippines will be about $170,000,000 a year, or a grand total of $850,000,000 in 5 years. That wipes out the total appropriation for rehabilitation and leaves only $170,000,000 of the national nest egg, to be wiped out in the following 3 years. After that, the Philippines will begin its exports to the United States on the basis of decreasing quotas or increasing duties, while the United States imports into the Philippines will be only on a decreasing-duty basis, the bill exempting them from quantitative restrictions.

WAR-DAMAGE PAYMENT

Two fundamental suggestions are offered:

1. Let Congress appropriate now the full amount of Philippine war damages. It is now clear, from news coming from Tokyo, that at least $12,000,000,000 worth of reparation assets will be obtainable from Japan. Eventually, therefore, the uncovered portion of the Philippine war damages in the rehabilitation bill of about $500,000,000 will be paid. So, since the bill provides for the eventual settlement of 100 percent of the losses out of Japanese reparation assets, it is suggested that Congress advance now by increasing the appropriation the full amount of the losses. It will be in the nature of aid-advance, and not a loan-gift.

AMERICA'S MILITARY POSITION

2. Let Congress realize the full meaning of its resolution 94 of June 19, 1944, under which an extensive American military establishment will be built on Philippine territory after independence. When the American flag flies over it, the Philippines without benefit of treaty will in effect become an American military protectorate and a political associate considered as such by foreign nations. In that situation, it is to the vital interest of America to have a strong, prosperous, and cooperative Philippines. Therefore, it is but logical that Congress, instead of passing a bill dissolving the Philippine-American economic ties, should consider one strengthening and perpetuating them. It is possible to make the economic relations between the two countries less competitive and overwhelmingly complementary to their mutual benefit.

BILL'S DESCRIPTION

The trade bill (H. R. 5856) is the fifth redrafting of the measure. It is very involved. The Filipinos will have difficulty in understanding it. But they don't have to understand it fully if they want to receive the entire benefits of the rehabilitation bill, for a House amendment to the latter bill states that no payments over $500 shall be made until the Filipinos have accepted the trade bill.

Among the reasons why the bill is so complicated seems to be that an executive agreement is not considered by its author as having the force of law both in the United States and in the Philippines, even after it has been ratified by the Philippine Congress. Additional legislation on both sides is required by provisions of the bill.

The bill establishes a modified free trade between the United States and the Philippines for 28 years. During the first 8 years there will be no duty on both sides, but from then on there will be increasing duties on both sides excepting Philippine coconut oil, cigar, scrap tobacco, and pearl buttons which will all be duty-free, while their quotas will be decreased by 5 percent yearly.

WAIVER OF DUTIES

Mutual waiver of duties: The Philippines in the first 5 years will waive about $60,000,000 annually on duty-free American goods, while the United States will waive only about $20,000,000 yearly on duty-free Philippine products. In other words, the Philippines will make a sacrifice of $60,000,000 for the privilege of not paying the duty of $15,000,000. The sacrifice will be enough to run the Philippine Government economically for a year while the waiver of $20,000,000 by the American Government can meet its expenses for only a few hours.

EXECUTIVE AGREEMENT

Title IV: The trade and other relations will be set forth in a Philippine-American executive agreement. Instead of the complicated provisions of the bill, it should simply provide that the pertinent provisions of the bill be incorporated in it, with the commitment by the Philippine Government that section 341, defining the rights of Americans after independence, shall be made a part of the treaty required by article XVI of the Philippine Constitution, thereby making it the law of the land then and there. If it is still desired to make said section 341 a part of that constitution, although it would be a surplusage and a departure from the present American foreign policy, such could be made a part of the treaty. The ratification by the Philippine Congress of the executive agreement shall be required within a period definite to be mentioned in the bill.

AMERICAN IMMIGRATION

Section 341 drops the clause in section 341 in the committee print (March 15) of the bill which says that Americans shall enjoy "the same rights as to property, residence and occupation as citizens of the Philippines." If that clause is inserted in the bill, sections 331, 332, and 402 (e) can be deleted because if the Americans have the right of residence in the Philippines as the Filipinos, it does not make sense to have provisions limiting their entry and residence in the Philippines. The Filipinos welcome as many Americans as are desirous to come to their country, which they helped to build, stay there at their pleasure, and be free to come and go without limitations.

FILIPINO NATURALIZATION

Section 231 places Filipinos under the immigration law provisions applicable to non-Orientals, but dropped the provision of its predecessor bill (H. R. 5185, sec. 17) granting Filipinos the right of naturalization. It is suggested that the provision be put back in the bill. The Chinese have been given by Congress the privilege of becoming American citizens, why not the Filipinos, who are American nationals under American law until they become aliens on July 4, 1946?

SUGAR

Section 211: The original quota of 850,000 long tons is reduced in the bill by about 60,000 long tons. During the first 8 years there will be no duty, but after that period it will pay progressively 5 percent a year until the full 100 percent is reached, and without diminution of the quota. It is suggested that the quota be reduced to 750,000 long tons, but eliminating the duty for the entire period of 28 years. This duty-free position of Philippine sugar even on a reduced amount, considering the 60-percent destruction of the industry, will place it on a more solid and stable basis and make it conform to the agricultural diversification program that the Philippines must work out.

COCONUT OIL

Sections 505 and 506: As an exception to the provisions of the bill that each country shall not impose any internal tax on each other's products, the United States is continuing the processing tax of 3 cents a pound on Philippine coconut oil. This tax, amounting to about $18,000,000 a year, was turned over to the Philippine Government, but after independence such will not be done. The tax has proved highly burdensome both to the Philippine producers and the American users of coconut oil. Before the tax, the average price was 4.14 cents a pound, and after the tax was imposed it was 2.42 cents. So it is suggested that since the tax is not to be returned to the Philippines, that it be reduced from 3 cents to 1 cent. The American users will pay 2 cents less and expectedly will be able and willing to pay more for the product.

It is also suggested that the quota be reduced from 200,000 long tons (sec. 214-a-3) to 150,000 or 125,000 long tons. With the industry 95 percent destroyed and adverse interests ever active, it would be better for the Philippines to place that industry on a more stable basis with a reduced quota. But there must be one quid pro quo: That the quota shall be intact during the entire 28 years.

This principle might be adopted with respect to cigar, scrap tobacco, and pearl buttons. These suggestions contemplate the possibility and probability that there might be a perpetual free-trade arrangement between the United States and the Philippines in harmony with their military and other relations.

Luxury goods: There is no provision in this bill that would enable the Philippines to control or curtail imports of luxury goods to make the rehabilitation program effective and to keep the Philippine dollar balances from being dissipated. If the needful provision is decided upon, as it should, what luxury goods are should be defined.

Simplification: A last appeal is made here to simplify the bill and make it more liberal to the Philippines.

REHABILITATION SUGGESTIONS

The following suggestions are offered on the rehabilitation bill, S. 1610:

1. Appropriate the full amount of damages. In line with the idea of staggering the rehabilitation to forestall a depression, there should be a provision in section 104 (d) to permit the recipient of war-damage payments to reinvest them at the proper time to assure a reasonable success of the investment.

2. Since foreigners in the Philippines will receive war-damage payments under section 102 (b-1), the necessary additional appropriations should be made to cover their damages, which are estimated at about $150,000,000, so the amount set aside for Americans and Filipinos is not reduced.

3. Churches should be placed in the same category as other properties and paid for under the same provisions. An increase of total appropriation would be necessary.

4. Under section 106 (b) the amount of coins and bullion obtainable from Japan as reparations shall be applied to that part of the Philippine losses not covered by the ap-

propriation. But before a dollar is paid out, the bill's total appropriation of $520,000,000 shall first be obtained and turned over to the United States Treasury. In this way Uncle Sam will not be out of pocket under the bill. General MacArthur, as of last December, had in his control Japanese coins and bullion, both gold and silver, valued at about $263,000,000. He had also 159,000 carats of diamonds, 6,200,000 grams of platinum, and other rare metals, all roughly valued at $50,000,000, making a total of $313,000,000. Since these assets are inadequate to carry out the bill's provisions, section 106 (b) should be amended to include precious stones, rare metals, and other assets, otherwise the provision will not aid the Philippine war sufferers.

AGRICULTURAL EXPERIMENT STATIONS

5. Lastly, there should be an amendment, with special liberal appropriation, under title III for the establishment by the United States Department of Agriculture of experiment stations in the Philippines to carry out the program of agricultural diversification and improvement of the yield and quality of existing products. This amendment is indispensable if the Philippines is to be less dependent on American markets and on too few products. It will also be highly beneficial to the United States.

AMERICAN GOOD WILL

The Filipinos fought in the war cheerfully with America with effectiveness and without the aid of lend-lease, helping to shorten the war and subdue the Japanese.

The two bills should be at least imperfect as possible. They will not go into effect until after July of this year. They will be the expression of America's good will to the Philippines. It is incumbent upon the Filipinos, as a token of appreciation and for their own sake, to do their best to make them work successfully and serve the best interests of the people.

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON. Mr. Chairman, I had not intended to discuss this legislation as it has been so thoroughly analyzed by the other members of the committee. I do wish to say, however, that it has been a real privilege to work on the preparation of this legislation. Few people realize that we began its consideration as far back as last October. Our committee and the subcommittee which was later appointed by the chairman worked diligently in perfecting this bill. I am positive every member of the committee feels indebted for the excellent help we had from Mr. M. Beaman of the Legislative Drafting Service, and from Mr. E. G. Martin and Mr. P. F. Burnham of the Tariff Commission.

The Ways and Means Committee, in presenting this bill to the House, is pioneering in new legislative draftsmanship. While this legislation is introduced in the form of a bill, it contains in reality and in effect language that becomes a treaty between the United States and the Philippine government as a sovereign nation.

For many years the Philippine Islands have been a ward of our Government, and we have for political and economic reasons assisted them with their economic problems. On July 4, 1946, they become an independent nation, and the pending bill will, when enacted into law, mutually obligate one nation to the other. The Philippine Islands have been our outpost in the South Pacific, and we expect to maintain our friendly and economic interests in them in the future.

All of us realize the suffering of the people and the destruction of their country during the recent World War. The Filipinos gave their lives as valiant soldiers of the Philippine Islands, but also as a people greatly concerned for the future welfare of the United States. It is for these reasons that it is most difficult to write legislation of this type without being carried away by emotional appeal. However, as legislators and representatives of the American people, we must and did view this legislation from a practical standpoint. We wrote provisions into this bill protecting the American producers of sugar, oils, rice, and tobaccos with absolute import quotas. It was absolutely necessary that we do this as this bill provides for a period of 8 years of free trade and, following that, 20 years of graduated tariff rates.

The Philippine Islands were not only given a preference in the world tariff rates, they were given a preference based on a Cuban rate. In other words, they were given a preference on a preference. Earlier in the debate the gentleman from South Dakota [Mr. MUNDT] made inquiry regarding the effect of the section concerning the importation of cordage as it dealt with binder twine. For the record I wish to state that we are using the same definition in this bill in defining "cordage" which has existed since 1934. It is true that the wording was changed in Public, 300, Seventy-sixth Congress, for the purpose of definiteness. This definition includes binder twine, a product never produced by the Philippines. This inclusion was agreed to by the Philippines at the time of the establishment of the same in 1934.

We should keep in mind that the domestic industry has enjoyed the same absolute quotas since 1935 and that is the law today. The present bill continues the same absolute quota.

Title III of the pending bill lists very definite obligations on the part of the Philippines that must be complied with before this legislation can become effective as an agreement between the two Nations. Many of these provisions are most exacting and if time permitted I would like to discuss it from the standpoint of the citizens of the Philippines. Some of these provisions are far reaching. We make some very exacting demands regarding the custom duties, demanding equality in import duties and on matters of taxation. We provide limitations regarding internal taxes and provide for reciprocal arrangements on immigration. Section 341 states specifically that when and if the public domain of the Philippine Islands is opened for development to the Philippine people, our citizens must be given the same rights and privileges as their own. Following is a copy of the section:

SEC. 341. Rights of United States citizens and business enterprises in natural resources

The disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities, shall, if open to any person, be open to citizens of the United States and to all forms of business enterprise owned or controlled, directly or indirectly, by United States citizens.

In all fairness I think we might ask ourselves if we as citizens of the United States would agree to the same requirements were they submitted to us by another nation. Regardless of these requirements I am informed that the people of the Philippines are accepting these terms and conditions without reservation. It shows a magnanimous spirit on their part and I am confident that the agreements made through the entire bill will be mutually helpful.

It has been a privilege to have served on the committee during the formulation of this bill, which is a token of our interest in the future welfare and success of a new nation.

Mr. REED of New York. Mr. Chairman, I yield 9 minutes to the distinguished gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, I am at the foot of the class, so to speak, on the Ways and Means Committee, and should talk but little on this bill. I should say, however, that I appreciate the outstanding abilities of members of that committee. It is an extremely busy committee. We especially love its chairman. How patient he is, but he expects us to be always prompt in attendance.

Our experts also did faithful and most effective work for us. I would praise greatly General ROMULO who, although he would like to have had some greater concessions, now urges us to pass this bill as it is.

Mr. Chairman, my particular reason for taking a minute or two at this time is because of certain newspaper articles and announcements to the effect that the Philippine people will call us ungrateful because we have not been more liberal in the provisions of the bill. I have always felt that no one would consider me ungrateful as long as I was expected to or would grant more and more favors. I do not like the newspaper article that calls for large sums for the Philippine people because of their assistance in helping us during the so-called our war. It may have been ours, and, of course, it can be reasoned that way. But I thought we had been a defense to the Filipinos for some years, and that we intend and must now stand between them and all other nations for their protection. We will have their safety on our hands for many years to come. They will be a free and independent nation after July 4, 1946, but it appears to me that the nation is to be greatly dependent upon us for their protection. Is it possible that we regard the Philippine people as a people located where we must have for our own safety something akin to a Pearl Harbor? I have heard that stated rather often. I want to do everything I possibly can for the Philippine people; no one would be more willing than I, but I have some worry for my own people. Here we have a legislative enactment, a trade agreement, but not a bureaucratic trade agreement. I feel rather comfortable about that. We seem to have no longer a democracy in this country; it seems

now to be a bureaucracy. We are pleading with bureaucrats nearly every day for relief from acts and decisions of bureaucrats. Why do we not insist upon the recovery of our own legislative authority? For once we have enacted a trade agreement by statute. Again I am worried about our own people. You Philippine people say you have been devastated, and you have been devastated. So have we, since our direct debt is greater than practically all we possess, and have guaranteed about as much more, about 50 percent of which may have to be met by the National Treasury.

I feel that we have also been devastated, but I hope and expect we can carry out our agreements, at least with the Philippine Nation. But I am one of those perhaps foolish people who think we are not really prosperous. Many people appear to be prosperous as long as they can borrow money and keep up a prosperous appearance. But there is always a bottom to that barrel. Some people seem to think otherwise. These are the new ideas that have sprung up during the past dozen years. I will say to you that while I think we will manage to do all of the things these people expect us to do, they must not expect too much. I often have my doubts as to our own financial future. But why should I worry any more? So many other people do not seem to worry. Other nations will appear and urge that they be given financial support of many billions, because they feel assured that we are prosperous. I deny emphatically that we are really prosperous with such a huge debt and liability enveloping us. We may have a way of appearing to be prosperous. People appear that way so long as borrowed money is available to them. Because we borrow it from ourselves it may be a lesser danger, but I can get only scant assurance from that declaration even from high officials of our Government. I may have old-fashioned ideas. The Philippine Nation will be independent, but will be politically allied to us. We are certainly greatly responsible for their recovery. We are also to be responsible for their safety. They must not consider us ungrateful if in a few matters we have failed to concede fully to their wishes. These remarks are prompted because of the huge sums for which we are being asked by many other nations urging the "our war" responsibilities. Vast sums are to be asked of us because we have so much, although our financial balance indicates we have really nothing except the willingness of our people to plunge themselves still further into this highly dangerous debt condition.

Mr. REED of New York. Mr. Chairman, I yield 6 minutes to the distinguished gentleman from California [Mr. WELCH].

Mr. WELCH. Mr. Chairman, it is regrettable that H. R. 5856, known as the Bell bill, with reference to future trade relations between this country and the Philippine Islands, and S. 1610, known as the Tydings bill, cannot be considered at the same time as this legislation, inasmuch as they both have for their purpose the relief of the stricken people of the Philippine Islands.

In the more than a generation that has passed since the Treaty of Paris was signed in 1899, the United States has held the responsibility of assisting in the direction of the whole social and economic development of the Philippine people. We have carried that responsibility along such a high level that it has not only received the commendation of the nations of the world, but it has set an example for all other nations having colonial possessions. The policies we have followed have lifted the Philippine people to such a high moral, social, and economic position that by 1934 we granted to the Philippines the right to become a free and independent nation after 10 years' experience as a commonwealth government.

It is tragic that during that 10-year period, which began in 1936, their land was devastated by war, their people tortured, and their economy completely destroyed. No country engaged in the last war suffered as great relative destruction as did the Philippine Islands and their loyal people. That destruction places a greater responsibility upon the United States today than at any time since the Treaty of Paris. We must not forget that the Philippine Islands are still under the American flag and we have a moral responsibility to see to it that their future economy and social well-being is founded upon sound principles.

We should be careful not to forfeit that friendship which has been built up throughout many years of painstaking effort. The Philippines are so geographically located that they are strategically important to our national security. We plan to maintain strong military and naval bases in the Philippine Islands. To maintain their greatest effectiveness we must have the continued loyalty and good will of the Filipinos themselves. They proved their loyalty in the dark days of the recent conflict.

The eyes of the world are upon us. The action we take with reference to the Philippine Islands will increase our international prestige or will impair the good will our past policies have built.

We have poured billions of dollars into the relief and rehabilitation of our Allies since the war and we have even spent other huge sums for the relief of peoples of enemy countries. But, Mr. Chairman, we have been sparing and ultraconservative in the aid we have given the stricken people of the Philippines who are still our wards.

I sincerely hope the Philippine trade bill now under consideration will be speedily enacted into law.

Mr. REED of New York. Mr. Chairman, I yield 8 minutes to the gentleman from Nebraska [Mr. CURTIS].

(Mr. CURTIS asked and was given permission to revise and extend his remarks.)

Mr. CURTIS. Mr. Chairman, the bill H. R. 5856 deals with the trade relations between the United States and the Republic of the Philippines, which will come into reality on July 4 next. Help for the Philippines is not a debatable question. I believe that all thinking Americans are anxious that America lend a helping hand to this new Republic. The entire Committee on Ways and Means approached this legislation with that motive.

This legislation is an administration measure. No public hearings were held, and the only people appearing before the committee in executive sessions were Commissioner Paul McNutt, Mr. McNutt's staff and advisers, the Resident Commissioner, Mr. Carlos Romulo, and Mr. Romulo's advisers, the author of the bill, the gentleman from Missouri, Mr. Bell, and the representatives of the various departments of the executive branch of our Government, including State, Treasury, Agriculture, Justice, and the Tariff Commission. These various officials of the administration had several conferences, and a meeting or two at the White House. These groups largely determined the policy to be followed here and the work of the committee was confined to taking the proposals that had been agreed upon and working out legislation in accordance therewith.

The drafting of this bill was a most difficult task. You can best understand this measure by first reading section 401. It involved in effect the making of a treaty, or executive agreement, through an act of legislation, with a nation that did not yet exist. It deals with tariffs, import duties, internal taxes, absolute quotas, duty-free diminishing quotas, conditions for imposing additional quotas, immigration into the United States, immigration into the Philippines, export taxes, a provision requiring the Philippines to change their Constitution, various technical definitions, the making of an executive agreement, the interpretation thereof and the termination thereof, and many related features.

I want to pay tribute to Mr. Middleton Beaman, of the office of Legislative Counsel, for his work on this bill. It was my privilege to observe his work over a period of many weeks in the preparation of this bill. He has done a splendid job and has performed a great public service. His diligence, foresight, knowledge, and untiring efforts constitute an outstanding piece of work. He has rendered an outstanding service to the committee and to the Congress.

In brief, the bill provides for free trade between the Philippines and the United States until July 3, 1954. For the balance of the calendar year 1954, tariff rates between the two countries shall be 5 percent of the lowest ordinary customs duty prevailing in the two nations. It will be 10 percent the next calendar year, and it shall be increased by 5 percent each year thereafter.

A quota on the importation of sugar from the Philippine Islands into the United States is fixed in the bill at 850,000 short tons, of which not to exceed 50,000 short tons may be refined sugars. The quota on cordage is established at 6,000,000 pounds, and on rice at 1,040,000 pounds. All of these quotas are on an annual basis. Imports under these quotas just mentioned will be subject to the fractional duty carried in the bill.

In reference to cigars, tobacco, coconut oil, and buttons of pearl or shell, an absolute quota is established, also a duty-free quota. This is set out in detail on page 16 of the bill. Up to and including the year 1954, the entire quota of these

articles shall be duty-free. Thereafter the duty-free quota diminishes and the Philippines will be required to pay the full duty on that part of their quota which is not duty-free, which will become larger each year. Take the case of coconut oil, for instance. The quota is 200,000 long tons, but beginning in 1955 only 190,000 long tons of that quota shall be duty-free. In 1956, only 180,000 long tons of it will be duty-free, and by 1974 none of it will be duty-free.

The provisions contained in this legislation are to be incorporated into an executive agreement to be entered into by the President of the United States with the President of the Republic of the Philippines. It should be borne in mind, however, that this measure which we are now enacting, provides very definitely and specifically what shall be contained in that agreement. With the exception of negotiating in reference to the immigration of American citizens into the Philippine Islands, nothing is left for negotiation between the Presidents of the two republics. This legislation provides what the terms of the agreement shall be.

The concessions made on the part of the United States immediately become the law of the land upon the enactment of this measure. We authorize the President of the United States to agree that we will keep them in effect during the life of the agreement. We do not in this measure in any sense attempt to legislate for the Philippines for the period after July 4 next. We do require certain things before the executive agreement authorized by this act becomes effective. The Philippines are required to not only enter into the agreement, but to enact into law those things pertaining to the obligations of the Philippines and must agree to keep them in force and in effect before the executive agreement made by the Presidents of the two republics becomes effective.

The theory of this legislation, as advanced by the proponents, is to give an inducement to American capital and American citizens to return to the Philippine Islands and rebuild their industry and their economy. It is very definite that there must be some rebuilding. The question is, Who shall do it? Is there any other source for the obtaining of capital than from America, and would it be desirable? Should private enterprise be furthered in the Philippine Islands? The answer to these questions support the position of the proponents of this bill and the individuals who have brought it to Congress and asked its enactment.

The allocation of quotas granted to the Philippine Islands, such as the sugar quota, is fixed in this bill. This bill requires that these quotas be given to the same concerns that were exporting the products into the United States in the period prior to the war. Certain definite years are set forth in the various provisions of the bill.

American capital is further encouraged into going into the Philippine Islands by the incorporation in this legislation, and to be incorporated in the executive agreement, provisions that neither country will impose any discriminatory taxes against the other. The bill provides that in the event the President of the United States finds that American citizens and business concerns are being discriminated against, he may terminate or suspend the agreement.

This legislation also requires the Philippine Islands, within a reasonable time, to make a change in their Constitution that I shall mention. It also vests authority in the President of the United States to make a finding and proclaim that the Philippines have failed to amend their constitution as required and in that event the entire executive agreement is terminated. Whenever the executive agreement is terminated those parts of this legislation which are the statutes of the United States cease to have force and effect as such.

Articles XII and XIII of the Philippine Constitution contain clauses under which the disposition, exploitation, development, and utilization of the public domain and natural resources of the Philippines and the operation of public utilities, are confined to citizens of the Philippines and corporations at least 60 percent of the capital of which is owned by Philippine citizens. This legislation requires the Philippines to change that, so that Americans shall have the same rights.

Those Members of Congress who are interested in legislation affecting the dairy industry, as well as all agriculture, will be interested in noting that this legislation dealing with free trade and fractional duties makes a specific exemption to the internal tax of 15 cents a pound on oleomargarine. That part of existing law is not disturbed by this legislation or the agreement to be entered into.

This bill makes it possible for the United States, after 1948, to impose additional quotas on Philippine articles, upon a finding by the President that those articles are or are likely to be in substantial competition with American production. The bill sets up a formula for such a finding.

It will also be noted that our Agricultural Adjustment Act contains provisions for the establishment of world-wide quotas when the same is necessary in establishing support prices in this country or carrying out the various provisions of the Agricultural Adjustment Act. We retain that right and it is not surrendered to the Philippines in this bill.

This agreement that will be entered into in pursuance to this act shall have no effect after July 3, 1974. It can be terminated by either party at any time upon a lot less than 5 years notice, without any specific cause. It also provides that the President of either country can determine and proclaim that the other country has adopted or applied measures which would operate to nullify or impair any right or obligation in said agreement and thereby terminate the agreement upon 6 months' notice. I have already mentioned it is the right of the President of the United States to terminate the agreement, if he finds that a reasonable time has elapsed and the Philippines have failed to change their constitution as required. The bill also makes certain provisions whereby the President of the United States can suspend the arrangement or parts thereof.

This legislation also provides that the value of Philippine currency in relation to United States dollars shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

The writing of legislation of this kind is most difficult. It involves venturing a guess upon the future in a troubled and disturbed world. That guess is binding upon the parties, unless otherwise terminated, for a period of 28 years. But more than that, it will probably set the course of all future actions toward the Republic of the Philippines in the years that lie ahead. It is my sincere hope that it will work out well, and that it will be a source of substantial help to that new Republic. I sincerely hope that the citizens of the Philippine Islands will in truth and in fact be free and independent not only politically but economically. The criterion for this and other legislation that we may pass for the Philippines is not what is the dollar value of the aid that we give, but will it help them to help themselves and thus make the Philippines strong and free. Whatever help is granted by the United States should be for the purpose of making them strong and independent, and not for the purpose of making them weak and dependent.

Will this arrangement be a good thing for the Republic of the Philippines? The answer to that question must be determined by the Republic of the Philippines. That decision and other momentous decisions which they will be called upon to make will be tests of their ability to be self-governing. I have faith in them. May God bless this new Nation and forever preserve and protect her citizens as freemen.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield such time as he may desire to the gentleman from Louisiana [Mr. MALONEY].

(Mr. MALONEY asked and was given permission to revise and extend his remarks.)

Mr. MALONEY. Mr. Chairman, the proposed legislation as contained in H. R. 5856, the basis of which is for a trade agreement with the Philippine Islands, has been before our Ways and Means Committee for the past several months. From my experience and observation I cannot remember any legislation that has had more careful consideration and attention. As the type of legislation was unusual, it did require the very best legal technical minds to bring it in composition with other laws, and those gentlemen, headed by Mr. Middleton Beaman, did perform a rather outstanding service in this respect.

The question of giving trade benefits to the Philippine people cannot be questioned when you recognize the fact, first, that the Philippine country suffered to a major extent from the war; and, secondly, that on July 4, this year, it is to become an independent nation. Therefore, when you change it over from its

present status to an independent nation it loses its trade privileges with this country; and to do such a thing too suddenly would bring about an upset in their economics that would be most damaging to their welfare. Therefore, to avert such a condition it has been proposed that the Philippines have a trade relationship with this country of some kind that would permit them to gradually work up to the customary trade requirements with foreign countries. This proposal is to give the Philippines free trade for 8 years and from then on to step up the tariff rates 5 percent each year until the maximum has been reached.

This arrangement is felt to be of great assistance to the Filipinos and should establish their economic stability. It may also be said that such an arrangement for our Nation has its advantages. To give protection to some products of our country, Philippine quotas have been established in this legislation—in other words, to protect home production in these products, it is felt that these quotas must be established, and they are on cordage, rice, cigars, scrap, and Philippine tobacco, coconut oil, pearl buttons, and sugar.

Coming from a State that produces cane sugar, I was particularly interested in the quota that has been established for sugar, as I realize it will not be but a short time before the production of sugar will exceed the consumption and there will be a big demand for more acreage by our American farmers and it is for this reason that I thought some definite quota should be fixed for the Philippines on sugar. Therefore, remembering the fact that when quotas on sugar were fixed by legislation in 1934, I felt that the Philippine record in its production had been given a little bit higher quota than it deserved, and further the Constitution of the United States, article 1, section 8, requires that, "Congress shall have power to fix a standard of weights and measures." The short ton is the regularly established basis for computing quantities of commodities, it is used in the sugar act for reference to sugar quotas. It has been confusing to have in the Philippine Independence Act a limitation on duty-free exports of sugar to the United States in terms of long tons, while the quotas authorized under the Sugar Act which regulated sugar quotas from the Philippines and other areas have been expressed in short tons. In view of this we, therefore, recognized the past and visualize the future with a token of consideration for the American producer. I suggested that the sugar quota for the Philippines be based upon short tons instead of long tons—this will probably mean a difference of approximately 92,000 long tons, which in days to come we expect to be given to the American farmers.

The above facts are not the only reasons I thought the quota should be reduced some for I believe the question of diversified production would mean more to the welfare of the Filipinos than by concentrating their main efforts on sugar. A serious question has been raised by persons in high positions and unquestionable friendship and support of the Philippines that there was a great overproduction of sugar in the Philippine Islands. Men who have visited the islands and made local surveys have written that it is not for the best interest of the Philippine's national economy or the Filipino himself to have such a large portion of his lands under a one crop system.

A well-known writer on international affairs, Mr. Edgar Snow, wrote an article on this subject for the Saturday Evening Post which was published in the March 16 issue of this widely read magazine.

The Honorable Francis B. Sayre, former Assistant Secretary of State, and United States High Commissioner of the Philippines, just prior to the war and at the time of invasion wrote the most thorough article on the Philippines I have read on the subject. After discussing the Philippine national economy broadly and most thoroughly, which he had investigated at first hand, he writes in the March 1945 issue of the Atlantic Monthly:

> When liberation comes to the Philippines, presumably sugar cultivation in the Philippines will be on a home-consumption basis. If the new Philippine Government after the war is wise enough and strong enough to prevent a return of prewar sugar production figures, one of the great milestones on the way to economical independence will be passed.

I trust for the good of the Philippines and the consideration of the American farmer that the quota on sugar in the bill we are now considering will not be increased. While I note from a statement sent to me, Commissioner McNutt intends to take this matter up in the Senate. I trust he will change his mind, as to some extent I feel such action would not be in good faith with our committee in dealing with the subject which was a compromise.

We have also fixed a quota on rice which should protect the rice-producing areas of this Nation of any undue hardship in reference to their production.

Of all the products that have been consumed by the American people, I do not know of any one that the price has been so uniformly kept down as on sugar. In fact I think if the authorities had been a little bit more considerate to the domestic producers of sugar in incentives, the production in sugar in this country would have been increased by several hundred thousand tons.

Below I quote some figures on production and consumption of sugar:

Louisiana production:	*Short tons, raw value*
1940	243,395
1941	328,894
1942	407,427
1943	446,141
1944	378,359
1945	399,515

The mainland cane area—Louisiana and Florida combined—have produced the following:

Mainland cane area (Louisiana and Florida) production:	*Short tons, raw value*
1938	583,000
1939	504,000
1940	332,000
1941	419,000
1942	460,000
1943	498,000
1944	437,000
1945	500,000

Year	Production in domestic areas [1]	Production in foreign areas [2]	Total
1930	3,310,997	4,502,699	7,813,696
1931	3,474,925	4,130,700	7,605,625
1932	3,601,067	3,608,848	7,209,915
1933	4,201,564	4,235,794	8,437,359
1934	3,269,540	3,637,377	6,906,917
1935	3,623,410	3,946,852	7,570,262
1936	3,781,163	4,564,708	8,345,871
1937	3,862,365	4,495,419	8,357,784
1938	4,238,078	4,243,141	8,481,219
1939	4,264,716	4,269,783	8,534,499
1940	4,115,862	3,881,870	7,997,732
1941 [3]	4,026,144	3,804,000	7,830,144
1942 [3]	4,114,721	3,240,000	7,354,721
1943 [3]	3,095,000	4,471,000	7,566,000
1944 [3]	3,305,000	4,000,000	7,305,000
1945 [3]	3,517,991	4,727,000	8,244,991

[1] Including mainland cane area, mainland beet area, Hawaii, Puerto Rico, and Virgin Islands.
[2] Including the Philippines and Cuba.
[3] No Philippine production in 1941, 1942, 1943, 1944, and 1945.

Total civilian consumption in the United States

	Short tons
1930	7,221,000
1931	6,669,000
1932	6,321,000
1933	6,293,000
1934	6,357,000
1935	6,602,000
1936	6,703,000
1937	6,642,000
1938	6,615,000
1939	6,908,000
1940	6,763,000
1941	7,350,000
1942	5,674,000
1943	6,801,000
1944	7,460,000
1945	6,332,000

War years include military.

Under rationing, in 1944, purely civilian consumption was 6,100,000 tons.

Under rationing, in 1945, purely civilian consumption was 5,100,000.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield the balance of the time on this side, 35 minutes, to the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Chairman, I can assure the membership it is not my intention to use the remainder of the time. I do desire, however, to make certain comments on the legislation now before the committee.

On yesterday the Ways and Means Committee referred to the House for consideration what I deem to be the most difficult bill to understand of any that perhaps the committee has ever referred to the House, even including some of those bills levying taxes.

The objectives of the bill are very clear. It is the details of the bill, the procedure by which we attempt to attain those objectives, that may be somewhat difficult of understanding.

Although I may be repeating, let me call attention again to what those objectives are.

First of all, we propose by this legislation the establishment of mutually advantageous trade relations between the United States and the Philippines following their independence on July 4, next, for a period of 28 years.

Second, we propose to provide an incentive for the rehabilitation and further development of Philippine trade. We propose to provide stability to future commerce between the United States and the Philippines.

The matters discussed and covered by the bill are easy to understand, relatively simple. First of all, the bill deals with customs duties on a reciprocal basis, preferential as against all other countries. Second, the establishment of quotas on the imports of certain Philippine products. Third, reciprocal, nondiscriminatory treatment in the field of taxes; fourth, adjustments in the immigration laws of both countries to meet the pressing needs of the immediate future; fifth, protection of United States citizens and American business enterprises regardless of form against discriminatory treatment. To do these things the bill authorizes in title IV the President to make an executive agreement with the Philippines. It provides the statutes necessary to put these specific provisions into effect. It provides means to cover the period between the date of the enactment of the act and July 4, 1946, before the Philippines become independent.

As has been pointed out by a previous speaker, the bill is divided into five titles. In order to understand the bill, as the gentleman from Tennessee said, titles II, III, and IV must be read after a careful analysis of the definitions contained in title I. In order to understand the bill at all, however, one must have a complete understanding of title IV of the bill, which is the keystone in the arch of the entire structure. Without title IV we would not have a bill. Title IV was referred to by the gentleman from Ohio [Mr. JENKINS]. It provides for an executive agreement between the United States and the Philippines. It states that the President upon certain conditions is authorized to enter into an executive agreement with the Philippines. Those conditions must be met by the President which are specified in title IV. First of all, if the President of the United States and the President of the Philippines do enter into such an agreement, the provisions of title II, which are the obligations of the United States, and the provisions of title III, which are the obligations of the Philippines, must be accepted by the executive agreement. Furthermore, before the agreement referred to in title IV can go into effect, the Philippine Nation must do what we have done or what we are doing now. The Philippine Nation must place into its statutes the provisions of title III so that those provisions of title III become a part of the statutes of the Philippines; and, furthermore, the Philippine people are called upon to amend their constitution to make it compatible with the provisions of section 341.

Title IV provides, after the agreement once goes into effect as proclaimed by the President, certain ways by which the agreement can be terminated.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. COLE of New York. The gentleman has referred to the requirement that the Filipino people must amend their constitution in order to make this agreement operative. As I recall the provisions of the Philippine Constitution, any change in the document must be submitted to the people of the Philippines before it is effective; and, also, the next election following the one to be held next month will not occur until 1950. Can the gentleman advise us what will be the status of this agreement until the year 1950 which seems to be the earliest date that a constitutional amendment could be effected?

Mr. MILLS. I was coming to that point. Evidently I did not make it clear.

The Philippine people are not required to amend the Constitution of the Philippines in order for this agreement to go into effect. It will go into effect whether there is an amendment, as requested in title III, or not. If the President finds that there has been an undue delay for any reason on the part of the Philippine Government in obtaining amendment of the constitution, then the President issues a proclamation and the agreement can have no further effect.

Mr. COLE of New York. What is the situation if the provisions required under this bill by way of laws to be enacted by the Philippine Legislature are such that those laws, if enacted, would be in violation of the Constitution of the Philippines? Would it not be necessary then to have an amendment to the constitution?

Mr. MILLS. First of all, after a very careful analysis of the Philippine Constitution, the members of your committee are of the opinion, quite definitely of the opinion, that the only provision in the bill that now or in the future may require an amendment to the constitution is the provision found in section 341 on page 29. There are no other provisions that we can think of that would require an amendment to the constitution.

Mr. COLE of New York. My point is that the constitutional limitations of the Philippine government might be such as to make it impossible for them to comply with the provisions of this bill earlier than 1950.

Mr. MILLS. We were advised by Governor McNutt, who has just returned from the Philippines, that in all likelihood this constitutional provision will be submitted to the people of the Philippines some time this fall.

Mr. Chairman, I know of no further safeguard that can be placed in title IV providing for termination of the agreement for the protection of the people of the United States or the people of the Philippines than your committee has seen fit to include in the bill. Beginning on page 35 of the bill you will find the reasons and the grounds for termination, which must be distinguished from the grounds for suspending operation of the act or the grounds under which the agreement does not go into effect.

First of all, there are certain conditions which must be met before it goes into effect. There are certain other conditions which must be met and maintained in order to permit the agreement to last for the period designated in the bill of 28 years or until July 4, 1974.

We might call title V of the bill, at least in part, rather than a miscellaneous title, "supplemental legislation," for we have agreed in the agreement, if it goes into effect, along with the Philippines, to pass such other supplemental legislation as is necessary to give effect to the provisions of titles II and III. We are doing that in part in title V of the bill now. It may be necessary later on for the White House to call upon us to pass direct legislation to give effect to certain provisions of it, but, insofar as we know now, we are trying to take care of those supplemental pieces of legislation at the present time.

Mr. COLE of New York. On that point, will the gentleman tell us what would be the situation if they agree to pass or fail for any reason to pass whatever legislation appears to be necessary?

Mr. MILLS. Any failure on the part of Congress to pass any supplemental legislation constitutes a violation of the agreement, either our Congress or the congress of the Philippines. The entire agreement then, upon 6 months notice, is subject to termination.

Mr. COLE of New York. Of course, the Filipinos in all likelihood would not exercise that power to revoke the agreement even though the Congress might fail to enact whatever additional legislation is necessary.

Mr. MILLS. Of course, that would remain to be seen.

There are other provisions, before I go to title II, that I desire to call attention to. I have had some Members expressing some concern about the bill in that we pick out only a few items and impose quotas. But in the bill you will find on page 41 what I consider to be for agricultural interests and others in the United States a sufficient safeguard. I trust that all Members will see fit not only to read the entire bill, but to analyze very carefully section 504 under title V of the bill which provides that the President shall, when the Tariff Commission finds that any commodity from the Philippines is likely to come into substantial competition with an American product, impose quotas. Under other provisions of the bill the findings of the Tariff Commission will be made public because the Tariff Commission must report its findings to both Houses of Congress so that we will be apprised of what the findings are with respect to the importation of any product or item from the Philippines. I know of no better safeguard we could place in the bill for the products of the United States which are not mentioned in the bill.

As I started to say, there is perhaps more interest in title II of the bill than anything else. First of all, permit me to say that when I first read H. R. 4185, H. R. 4676, and H. R. 5185, all predecessors of the bill before us, introduced by our distinguished colleague from Missouri [Mr. BELL], I had some difficulty in bringing myself to the point of view that we were not doing violence to our reciprocal-trade agreement philosophy of the most-favored-nations policy. Of course, we cannot say that the preferential benefits which are extended under this bill are in keeping with the philosophy of the most-favored-nations policy. There is no need of us to voice that issue. The bill itself is not compatible with that philosophy. There has been some confusion, however, as to what it does do and as to why we do it.

First of all, we recognize from the very beginning that it is necessary, if we re-

habilitate and develop the Philippines back to the point where they were on December 7, 1941, that we must extend to them something more than the most favored nations policy placed in the Reciprocal Trade Agreements Act. Therefore we frankly say that we make an exception to the Philippine Islands, and we are reliably informed that all of the countries of the world with which we do business fully understand the necessity for making such a distinction on the part of the Philippines. With that in mind, then, I could bring myself to agree to the provisions of title II.

Further, there has been some confusion even on the part of some newspapers I have read with respect to part 2 of title II, the imposition of quotas. I read one newspaper editorial that stated that the imposition of quotas in this instance was in violation of the philosophy of reciprocal trade agreements. Actually it is not. Why do we impose these quotas? First of all, we have made an exception of the Philippines. We have extended to them a preference which we extend to no other people in the world under this bill. Nobody else gets this benefit. They get more than all the rest of the world put together, including Cuba. Why then do we impose the quota? We impose the quota to limit the preference which we are giving the Philippines, a quota on preferential trade arrangements. It is not a quota upon world trade, it is a quota upon the preference we are extending to the Philippines, and is clearly understod as such. The quota provisions contained in the bill are not incompatible with the theory of the reciprocal trade agreement policy or the most-favored-nations policy. It is not, therefore, incompatible for one who strongly believes in that philosophy and who opposes quotas upon imports into the United States to vote for this bill.

We do provide in title II that for a period of 8 years we will enjoy a partial free trade relationship with the Philippines. We do not enjoy a full free trade relationship, but, as far as the "ordinary customs duties" are concerned, as defined in title I, we enjoy free trade. In return for that, under section 311, on page 23, the Philippines make the same provision in their law and provide for the same thing in their agreement. Then in section 202 we provide for a graduation, at the end of the 8 years of free trade, in our rates and our charges on "Philippine articles" until finally, about the time the agreement is to expire, we bring our duties on the importation of "Philippine articles" into the United States up to the rate enjoyed by Cuba, which is 20 percent or more on each item less than the world rate. In other words, if we fix the world rate at 100 percent, the Cuban rate is 80 percent or less. We graduate the Philippine rate up to the Cuban rate of 80 percent or less of our world rate. When the agreement expires, by the very terms of the agreement, by the very act which the Congress passes, the Philippines, in the absence of some subsequent legislation, must pay the full world duty upon imports into the United States. However, for the period of the agreement they enjoy this preferential treatment based upon the Cuban rate.

The Philippines have no preference to which we can attach our rates. They have a world rate. But we do obtain this safeguard, and I think it is wise to point it out: Under the present situation, as I say, the Philippines have a world rate. They have no preference such as we extend to Cuba. They have no preferential rate. But we do not know during the period of the 28 years whether the Philippines will have, perhaps, some rates that are lower than the world rate. If they do decide to enter into an agreement with Borneo, say, whereby they extend to Borneo what we have extended for years to Cuba, then under the provisions of this bill we get a percentage of the Borneo rate. They guarantee to give us the lowest rate regardless of what that rate is. That condition lasts for the life of the agreement, 28 years.

There has been some talk about the quotas. I think that all businesses in the United States which are affected by these quotas should be at least satisfied with what is provided in the bill. Sugar consumed in the United States, for instance, so we were informed by the sugar experts from the Department of Agriculture, is largely imported into the United States right now. If we had all the sugar we wanted in the United States we would consume at the rate of 8,000,000 tons per year. We are producing in the United States at the rate of 1,500,000 tons per year. Before the war we consumed at the rate of about 6,500,000 tons per year. We asked this expert whether or not there was anything in this bill that did violence to the producers of cane sugar or beet sugar in the United States. He said not; that even if we attempted to raise all the sugar in the United States that could be consumed in this country, we would be longer than 28 years in getting to it, or words to that effect. So that I think the people interested in sugar can be assured that we are better off in having this language in the bill than we would be without any bill whatsoever. I say that for this reason: As I recall, we make no commitments in the Independence Act with respect to the importation of sugar from the Philippines, but we do make a commitment in the Sugar Act of 1937, as amended, that we will not reduce the quota of sugar from the Philippines as set forth in the Independence Act.

On cordage, which is the next absolute quota imposed in the bill, I might say that cordage is the only item in the bill which is treated separately from the other items. We impose a quota on Philippine cordage, not as a Philippine article, but as a product of the Philippines. That meets the approval not only of the producers of cordage in the United States and the people who are interested in the subject, but it is also satisfactory to the people in the Philippines, as I understand.

We have in the bill an absolute quota on rice. That means that with reference to sugar, cordage, rice, and the other commodities mentioned in the bill, it does not make any difference who in the Philippines would be interested in paying more than the duty rates, they cannot ship any more into the United States than the quota provides for.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. RICH. This quota on cordage is for the protection of the manufacturers in this country, is it not?

Mr. MILLS. It is for the protection of the manufacturers. We have never imposed, as I understand, any quota or duty upon manila fiber, for instance. We do not propose to do so here, and guarantee against any internal tax being placed upon it. We have not imposed any duty on some of the other items that go into the manufacture of cordage, so that they can bring into the United States if they desire all they need in the way of raw materials. This keeps out merely the manufactured article.

Mr. RICH. May I ask the gentleman this question with reference to the sugar quota: If we permitted the Filipinos to ship more sugar here, and if we permitted the people to pay a little bit more for sugar, could we not save the $69,000,000 that we pay in subsidies to the American growers of sugar, and would not our Treasury be a great deal better off if we did that?

Mr. MILLS. In other words, the gentleman, for the period of rationing, let us say, would suggest that we permit the importation from the Philippines of all the sugar that they could produce and send to us?

Mr. RICH. And, if necessary, permit the American people to pay half a cent a pound more. Then we would save the $69,000,000 that we pay to the producers in this country for raising sugar. I want to get rid of these subsidies. I want to save the Treasury from going into bankruptcy. I asked the gentleman that question, thinking that he would try to help us out in some way. We need help.

Mr. MILLS. The gentleman knows my interest in getting rid of subsidies. Of course, on this question of sugar, some of the Members from the sugar-producing sections of the country know a great deal more about the subject than I do. But let me point out to the gentleman just how it does operate. The members of the committee have had to study a great many different subjects with reference to this bill. If we provide for an unlimited amount of sugar to be imported into the United States from the Philippines for the next 3 years, let us say, we would not get any more sugar from the Philippines, I am reliably informed, than we will get under the quota contained in the bill. For the reason, and again I am basing my statement upon information that I have obtained, I understand it takes some 3 years to plant and harvest the sugarcane. If you plant the sugarcane in April of this year, you do not harvest the raw sugar from that cane in the fall of the year. It takes some 3 years, in other words, to get production from what you plant. So that presently we will be out from under this dark picture we are now under on sugar before the 3 years have expired. But remember that this agreement lasts for 28 years. Whatever we vote in this agreement is binding and we cannot change it by some subsequent action of

Congress without violating the agreement.

Mr. RICH. I would say that is a very wise provision. I am interested in the Philippines and I want to help them. But I am interested at all times first in the States, whether it be Louisiana and Florida where they raise sugarcane, or Michigan or Colorado where they raise sugar beets. We do not have enough men in this country and enough men in Congress who are as much interested in America as they should be. If we were more interested in these States of ours and tried to get things straightened out here, we would be better off and we would have a much better country.

Mr. MILLS. Of course there are many Members who are in the same class as the gentleman and myself. We are both much interested in America.

Mr. MALONEY. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. MALONEY. Following the question of the gentleman from Pennsylvania [Mr. RICH] that the sugar production should come from offshore, if all the sugar that is consumed in this country came from offshore, what do you think the price would be? Do you think it would be up or down?

Mr. MILLS. Sugar would be up if all of it came from offshore.

Mr. MALONEY. We would be at the mercy of the offshore producers and they could charge any price they wanted to?

Mr. MILLS. Yes.

Mr. WOODRUFF. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. WOODRUFF. History tells us that when the offshore producers of sugar had the American market themselves, they forced the price to the consumer as high as 35 cents a pound. That occurred in 1920.

Mr. MILLS. The gentleman is correct.

Mr. HILL. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Colorado.

Mr. HILL. There are two or three questions I would like to get straight in my mind. I notice on page 4 of the hearings, you say something like this: "The establishment in the bill of a sugar quota of 850,000 short tons is recognition of the need to give every possible encouragement to the expansion of the domestic sugar industry." The question I have in mind on that is this: It bothers me, because the State of Colorado alone has, in its top production, produced 240,000 acres of sugar beets. Now we are down to around 150,000 acres of beets. We find the same situation existing in many other States. At times our domestic producers of sugar beets and sugarcane have increased their acreage and they may wish to increase them again. Now they are down. Now we find the State of Florida could possibly increase their sugarcane acreage some 30,000 acres. Then we find in the Northwest country new irrigation projects coming in, and the only cash crop I know of that will really make money for those farmers to pay for their farms in those irrigated regions will be sugar beets.

The thing that bothers me is this: Are you only going to provide, as time goes on, that those folks who can produce new acres in beets will have a chance to produce them under this legislation?

Mr. MILLS. As the gentleman well knows, that legislation extending the Sugar Act of 1937 for another 2 or 3 years does not come from our committee. I understand it comes from the gentleman's committee. I do not know of anyone on that committee, or any place else who can better look after that situation than the gentleman from Colorado.

Mr. HILL. You are satisfied in your own mind that you are in no way circumscribing the sugar producers of these United States by this legislation?

Mr. MILLS. I am most positive in my own mind that if we did not give the Philippines one iota of sugar quota we would not increase, by that act alone, the allotments of sugar or the production of sugar in the United States. In other words, I think the gentleman can be assured that the 850,000 short tons this bill provides may be imported from the Philippines will not, over the period of the agreement, keep anybody in the United States from having that allotment which he wants. We have only produced a million and a half tons of sugar in the United States.

Mr. HILL. That is our average production.

Mr. MILLS. We now have a possible consumption of 8,000,000 tons of sugar. Add the 850,000 tons to the million and a half and we find there is still room for a lot of expansion in the domestic crop.

Mr. COOPER. Mr. Chairman, will the gentleman yield at that point?

Mr. MILLS. I yield.

Mr. COOPER. As I endeavored to point out during the remarks I made, I think this bill is more favorable to the domestic sugar producers than the existing situation without this bill, because, as the situation now stands, you can bring in 850,000 long tons of sugar from the Philippines without tariff and bring in all over that you want by paying duty, but under this bill you fix an absolute quota of 850,000 short tons and stop right there.

Mr. MILLS. I call the gentleman's attention to the fact that the Sugar Act of 1937, as amended, does impose absolute world quotas on sugar.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. CURTIS. In respect to the statement made by the gentleman from Tennessee, if there were no provision in this bill about sugar, the Congress of the United States, in extending the Sugar Act, could fix the Philippine quota at anything they wanted.

Mr. MILLS. Absolutely.

Mr. CURTIS. A hundred thousand tons or a million tons.

Mr. MILLS. Or two million tons.

Mr. CURTIS. But this does fix it so it cannot be changed for a period of 28 years, and in this way protects the sugar people of this country.

I trust the bill which has been so carefully prepared for the committee and the gentleman from Missouri [Mr. BELL] by Mr. Beaman of the Legislative Counsel's Office and Mr. Martin of the Tariff Commission will be passed unanimously without amendment other than committee amendments to be offered.

We show the world the nature of the American desire to serve the cause of a better world by the creation of this agreement.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

All time has expired.

The Clerk will read.

The Clerk read as follows:

Be it enacted, etc.—

TITLE I—SHORT TITLE AND DEFINITIONS

SECTION 1. Short title.

This act may be cited as the "Philippine Trade Act of 1946."

SEC. 2. Definitions.

(a) For the purposes of this act—

(1) The term "person" includes partnerships, corporations, and associations.

(2) The term "United States," when used in a geographical sense, means the States, the District of Columbia, the Territories of Alaska and Hawaii, and Puerto Rico.

(3) The term "ordinary customs duty" means a customs duty based on the article as such (whether or not such duty is also based in any manner on the use, value, or method of production of the article, or on the amount of like articles imported, or on any other factor); but does not include—

(A) a customs duty based on an act or omission of any person with respect to the importation of the article, or of the country from which the article is exported, or from which it comes; or

(B) a countervailing duty imposed to offset a subsidy, bounty, or grant; or

(C) an anti-dumping duty imposed to offset the selling of merchandise for exportation at a price less than the prevailing price in the country of export; or

(D) any tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws; or

(E) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 percent or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; or the tax imposed by section 3500 of the Internal Revenue Code.

(4) The term "Philippine article" means an article which is the product of the Philippines, unless, in the case of an article produced with the use of materials imported into the Philippines from any foreign country (except the United States) the aggregate value of such imported materials at the time of importation into the Philippines was more than 20 percent of the value of the article imported into the United States, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the United States in effect at the time of importation of such article. As used in this paragraph the term "value," when used in reference to a material imported into the Philippines, includes the value of the material ascertained under the customs laws of the Philippines in effect at the time of importation into the Philippines, and, if not included in such value, the cost of bringing the material to the Philippines, but does not include the cost of landing it at the port of importation, or

customs duties collected in the Philippines. For the purposes of this paragraph any imported material, used in the production of an article in the Philippines, shall be considered as having been used in the production of an article subsequently produced in the Philippines, which is the product of a chain of production in the Philippines in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(5) The term "United States article" means an article which is the product of the United States, unless, in the case of an article produced with the use of materials imported into the United States from any foreign country (except the Philippines) the aggregate value of such imported materials at the time of importation into the United States was more than 20 percent of the value of the article imported into the Philippines, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the Philippines in effect at the time of importation of such article. As used in this paragraph the term "value," when used in reference to a material imported into the United States, includes the value of the material ascertained under the customs laws of the United States in effect at the time of importation into the United States, and, if not included in such value, the cost of bringing the material to the United States, but does not include the cost of landing it at the port of importation, or customs duties collected in the United States. For the purposes of this paragraph any imported material, used in the production of an article in the United States, shall be considered as having been used in the production of an article subsequently produced in the United States, which is the product of a chain of production in the United States in the course of which an article, which is the product of one stage of. the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(6) The term "United States duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the United States for consumption, of the Philippine article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(7) The term "Philippine duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the Philippines for consumption, of the United States article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(8) The term "internal tax" includes an internal fee, charge, or exaction, and includes—

(A) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 percent or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; and the tax imposed by section 3500 of the Internal Revenue Code; and

(B) any other tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws.

(b) For the purposes of sections 221 (b) and 321 (b), any material, used in the production of an article, shall be considered as having been used in the production of an article subsequently produced, which is the product of a chain of production in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(c) For the purposes of paragraphs (6) and (7) of subsection (a) of this section—

(1) if an article is entitled to be imported from a foreign country free of ordinary customs duty, that country shall be considered as the country entitled to the lowest rate of ordinary customs duty with respect to such article; and

(2) a reduction in ordinary customs duty granted any country, by law, treaty, trade agreement, or otherwise, with respect to any article, shall be converted into the equivalent reduction in the rate of ordinary customs duty otherwise applicable to such article.

(d) The terms "includes" and "including" when used in a definition contained in this act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

TITLE II—LAWS AND PROPOSED OBLIGATIONS OF UNITED STATES

PART 1—CUSTOMS DUTIES

SEC. 201. Free entry of Philippine articles

During the period from the day after the date of the enactment of this act to July 3, 1954, both dates inclusive, Philippine articles entered, or withdrawn from warehouse, in the United States for consumption shall be admitted into the United States free of ordinary customs duty.

SEC. 202. Ordinary customs duties on Philippine articles

(a) July 4, 1954–July 3, 1974: The ordinary customs duty to be collected on Philippine articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined by applying the following percentages of the United States duty:

(1) July 4, to December 31, 1954: During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 percent.

(2) Calendar year 1955: During the calendar year 1955, 10 percent.

(3) Calendar years 1956–72: During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 percent of the United States duty.

(4) Percentage after 1972: During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 percent.

(5) Exceptions to above rules: The provisions of this subsection shall not be applicable to the classes of articles referred to in section 214 (a) of part 2 of this title (relating to quotas).

(b) Period after July 3, 1974: The ordinary customs duty to be collected on Philippine articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined without regard to the provisions of subsection (a) of this section or of section 214.

SEC. 203. Customs duties other than ordinary

Customs duties on Philippine articles, other than ordinary customs duties, shall be determined, without regard to the provisions of sections 201 and 202 (a), but shall be subject to the provisions of section 204.

SEC. 204. Equality in special import duties, etc.

(a) With respect to Philippine articles imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 205. Equality in duties on products of Philippines

(a) With respect to products of the Philippines, which do not come within the definition of Philippine articles, imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country (except Cuba), or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country (except Cuba).

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

PART 2—QUOTAS

SEC. 211. Absolute quota on sugars

(a) Definition of Philippine sugars: For the purpose of this section, an article shall not be considered "Philippine sugars" unless it is a Philippine article.

(b) Definition of refined sugars: As used in this section the term "refined sugars" has the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(c) Amount of quota: During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine sugars which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 850,000 short tons, of which not to exceed 50,000 short tons may be refined sugars; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 425,000 short tons, of which not to exceed 25,000 short tons may be refined sugars.

(d) Allocation of quotas for unrefined sugars: The quota for unrefined sugars, including that required to manufacture the refined sugars, established by this section, shall be allocated annually to the sugar-producing mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932, and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them, or any extension, modification, or renewal thereof.

(e) Allocation of quotas for refined sugars: The quota for refined sugars established by this section shall be allocated annually to the manufacturers of refined sugars in the Philippines in the calendar year 1940 whose refined sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of refined sugars produced by each such manufacturer (or in the case of such successor in interest, the amount of refined sugars produced by his predecessor

in interest) which was exported to the United States during the calendar year 1940.

SEC. 212. Absolute quota on cordage

(a) Definition of "Cordage": As used in this section the term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930, as amended), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber.

(b) Definition of "Philippine cordage": For the purpose of this section, an article shall not be considered "Philippine cordage" unless it is a product of the Philippines.

(c) Amount of quota: During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine cordage which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 6,000,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 3,000,000 pounds.

(d) Allocation of quotas: The quota for cordage established by this section shall be allocated annually to the manufacturers of cordage in the Philippines in the calendar year 1940 whose cordage was exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of cordage produced by each such manufacturer (or in the case of such successor in interest, the amount of the cordage produced by his predecessor in interest) which was exported to the United States during the 12 months immediately preceding the inauguration of the Commonwealth of the Philippines.

SEC. 213. Absolute quota on rice

(a) Definition of rice: As used in this section the term "rice" includes rice meal, flour, polish, and bran.

(b) Definition of Philippine rice: For the purposes of this section, an article shall not be considered "Philippine rice" unless it is a Philippine article.

(c) Amount of quota: During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine rice which, in any calendar year may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 1,040,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 520,000 pounds.

SEC. 214. Absolute and duty-free quotas on certain articles

(a) Absolute quotas:

Amount of quota: During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of the following articles which are Philippine articles, and which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed the amounts specified as to each:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), 200,000,000 cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, 6,500,000 pounds;

(3) Coconut oil, 200,000 long tons; and

(4) Buttons of pearl or shell, 850,000 gross.

During the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed one-half of the amount above specified with respect to each class of articles, respectively.

(b) Duty-free quotas:

(1) In general: Philippine articles falling within one of the classes specified in subsection (a) of this section, which during the period from January 1, 1946, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for consumption, shall be free of ordinary customs duty, in the quantities and for the periods set forth in the following table:

Periods (calendar year)	Amount of duty-free quotas			
	Cigars referred to in subsection (a) (1) (number)	Tobacco referred to in subsection (a) (2) (pounds)	Coconut oil (long tons)	Buttons of pearl or shell (gross)
Each of calendar years 1946–54	200,000,000	6,500,000	200,000	850,000
1955	190,000,000	6,175,000	190,000	807,500
1956	180,000,000	5,850,000	180,000	765,000
1957	170,000,000	5,525,000	170,000	722,500
1958	160,000,000	5,200,000	160,000	680,000
1959	150,000,000	4,875,000	150,000	637,500
1960	140,000,000	4,550,000	140,000	595,000
1961	130,000,000	4,225,000	130,000	552,500
1962	120,000,000	3,900,000	120,000	510,000
1963	110,000,000	3,575,000	110,000	467,500
1964	100,000,000	3,250,000	100,000	425,000
1965	90,000,000	2,925,000	90,000	382,500
1966	80,000,000	2,600,000	80,000	340,000
1967	70,000,000	2,275,000	70,000	297,500
1968	60,000,000	1,950,000	60,000	255,000
1969	50,000,000	1,625,000	50,000	212,500
1970	40,000,000	1,300,000	40,000	170,000
1971	30,000,000	975,000	30,000	127,500
1972	20,000,000	650,000	20,000	85,000
1973	10,000,000	325,000	10,000	42,500
1974	0	0	0	0

(2) Duty on imports in excess of duty-free quota: Any such Philippine article so entered or withdrawn from warehouse in excess of the duty-free quota provided in paragraph (1) shall be subject to 100 percent of the United States duty, despite the provisions of section 202 of this title (which provides rates of less than 100 percent of the United States duty with respect to Philippine articles). Nothing in this subsection shall be construed as enlarging the absolute quotas provided in subsection (a) of this section.

(c) Allocation of quotas: Each of the quotas established by this section shall be allocated annually to the manufacturers in the Philippines in the calendar year 1940 of products of a class for which such quota is established, and whose products of such class were exported to the United States during such year, or their successors in interest, proportionately on the basis of the amount of the products of such class produced by each such manufacturer (or in the case of such successor in interest, the amount of the products of such class produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 215. Laws putting into effect allocations of quotas

The necessary laws and regulations for putting into effect the allocation of quotas on the basis provided for in sections 211, 212, and 214, respectively, shall not be enacted by the United States, it being the purpose of this title that such laws and regulations shall be enacted by the Philippines.

SEC. 216. Transfers and assignments of quota allotments

The holder of any allotment under existing law, including his successor in interest, and the holder of any allotment under any of the quotas established by sections 211, 212, or 214, may transfer or assign all or any amount of such allotment on such terms as may be agreeable to the parties in interest. If, after the first 9 months of any calendar year, the holder of any allotment, for that year, under any of the quotas established by such sections, is or will be unable for any reason to export to the United States all of his allotment, in time to fulfill the quota for that year, that amount of such allotment which it is established by sufficient evidence cannot be so exported during the remainder of the calendar year may be apportioned by the Philippine Government to other holders of allotments under the same quota, or in such other manner as will insure the fulfillment of the quota for that year: *Provided*, That no transfer or assignment or reallocation under the provisions of this section shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

PART 3—INTERNAL TAXES

SEC. 221. Equality in internal taxes

(a) With respect to articles which are products of the Philippines coming into the United States, or with respect to articles manufactured in the United States wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the United States, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the United States, or (2) with respect to materials used in the production of a like article which is the product of the United States, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the Philippines is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

(c) This section shall not apply to the taxes imposed under section 2306, 2327, or 2356 of the Internal Revenue Code.

SEC. 222. Exemption from tax on Manila fiber

No processing tax or other internal tax shall be imposed or collected in the United States with respect to Manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 223. Prohibition of export taxes

No export tax shall be imposed or collected by the United States on articles exported to the Philippines.

SEC. 224. Exemption from taxes of articles for official use

No processing tax or other internal tax shall be imposed or collected in the United States with respect to articles coming into the United States for the official use of the Philippine government or any department or agency thereof.

SEC. 225. Application to Puerto Rico

Section 9 of the act of March 2, 1917 (39 Stat. 951, ch. 145) is amended to read as follows:

"SEC. 9. That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States except the internal-revenue laws other than those contained in the Philippine Trade Act of 1946: *Provided, however*, That hereafter all taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico."

PART 4—IMMIGRATION

SEC. 231. Certain Philippine citizens granted nonquota status

(a) Any citizen of the Philippines who actually resided in the United States for a continuous period of 3 years immediately prior to November 30, 1941, if entering the United States during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for

the purpose of resuming residence in the United States, shall, for the purposes of the immigration laws, be considered a nonquota immigrant; and shall not be excluded from entry into the United States by reason of section 13 (c) of the Immigration Act of 1924, or by reason of so much of section 3 of the Immigration Act of 1917 as provides for the exclusion from admission into the United States of natives of a therein specified geographical area.

(b) After such admission as a nonquota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the United States for permanent residence.

(c) The benefits of this section shall also apply to his wife, if a citizen of the Philippines or eligible to United States citizenship, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

(d) This section shall not apply to a citizen of the Philippines admitted to the Territory of Hawaii, without an immigration or passport visa, under the provisions of paragraph (1) of section 8 (a) of the act of March 24, 1934 (48 Stat. 456, ch. 84).

TITLE III—OBLIGATIONS OF PHILIPPINES

PART 1—PURPOSES OF TITLE

SEC. 301. Statement of purposes of title

(a) Period until July 4, 1946: The following parts and sections of this title, insofar as they are applicable to the period from the date of the enactment of this act to July 3, 1946, both dates inclusive, are intended to, and shall, operate as statutes of the United States, binding on one of its possessions.

(b) Period July 4, 1946–July 3, 1974: The following parts and sections of this title, although expressed in statutory form, are not in any manner intended, insofar as they are applicable to the period after July 3, 1946, as an attempt on the part of the Congress of the United States to legislate for the Republic of the Philippines as a sovereign nation, but constitute a statement in precise terms of provisions—

(1) which the Government of the Philippines, on the taking effect of the executive agreement provided for in title IV of this act, will be obligated to observe and execute as the law of the Republic of the Philippines during the effectiveness of the agreement; except that the observance of such part of the provisions of section 341 as is in conflict with the Constitution of the Philippines will not be required under such agreement for the period prior to the amendment to the constitution referred to in section 402 (b); and

(2) which, between the proclamation of the independence of the Philippines and the date of the taking effect of such executive agreement, will, according to the policy and expectations of the Congress of the United States, be observed and executed by the Government of the Philippines.

PART 2—CUSTOMS DUTIES

SEC. 311. Free entry of United States articles

During the period from the day after the date of the enactment of this act to July 3, 1954, both dates inclusive, United States articles entered, or withdrawn from warehouse, in the Philippines for consumption shall be admitted into the Philippines free of ordinary customs duty.

SEC. 312. Ordinary customs duties on United States articles

(a) July 4, 1954–July 3, 1974: The ordinary customs duty to be collected on United States articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined by applying the following percentages of the Philippine duty:

(1) July 4, to December 31, 1954: During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 percent.

(2) Calendar year 1955: During the calendar year 1955, 10 percent.

(3) Calendar years 1956–1972: During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 percent of the Philippine duty.

(4) Percentage after 1972: During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 percent.

(b) Period after July 3, 1974: The ordinary customs duty to be collected on United States articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined without regard to the provisions of subsection (a) of this section.

SEC. 313. Customs duties other than ordinary

Customs duties on United States articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 311 and 312 (a), but shall be subject to the provisions of section 314.

SEC. 314. Equally in special import duties, etc.

(a) With respect to United States articles imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 315. Equality in duties on products of United States

(a) With respect to products of the United States, which do not come within the definition of United States articles, imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

PART 3—INTERNAL TAXES

SEC. 321. Equality in internal taxes

(a) With respect to articles which are products of the United States coming into the Philippines, or with respect to articles manufactured in the Philippines wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the Philippines, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with repect to a like article which is the product of the Philippines, or (2) with respect to materials used in the production of a like article which is the product of the Philippines, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the United States is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

SEC. 322. Prohibition of export taxes

No export tax shall be imposed or collected by the Philippines on articles exported to the United States.

SEC. 323. Exemption from taxes of articles for official use

No processing tax or other internal tax shall be imposed or collected in the Philippines with respect to articles coming into the Philippines for the official use of the United States Government or any department or agency thereof.

PART 4—IMMIGRATION

SEC. 331. Certain United States citizens given nonquota status

Any citizen of the United States who actually resided in the Philippines for a continuous period of 3 years immediately prior to November 30, 1941, if entering the Philippines during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the Philippines, shall, for the purposes of the immigration laws, be considered a nonquota immigrant. After such admission as a nonquota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the Philippines for permanent residence. The benefits of this section shall also apply to his wife, if a citizen of the United States, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

SEC. 332. Immigration of United States citizens into the Philippines

Citizens of the United States, admissible to the Philippines under the provisions required by section 402 (e) to be included as a part of the executive agreement made under title IV, shall be entitled to enter the Philippines, in the numbers and during the periods of years, and to remain therein for the time, specified in that part of the agreement which embodies the provisions of section 402 (e).

PART 5—MISCELLANEOUS

SEC. 341. Rights of United States citizens and business enterprises in natural resources

The disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities, shall, if open to any person, be open to citizens of the United States and to all forms of business enterprise owned or controlled, directly or indirectly, by United States citizens.

SEC. 342. Currency stabilization

The value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 343. Allocation of quotas

The allocation, reallocation, transfer, and assignment of quotas established by sections 211, 212, and 214, respectively, of part 2 of title II, shall be on the basis provided for in such part.

TITLE IV—EXECUTIVE AGREEMENT BETWEEEN UNITED STATES AND PHILIPPINES

SEC. 401. Authorization of agreement

The President of the United States is authorized (except as hereinafter in this title otherwise provided) to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of the provisions of title II and title III (except pt. 1) of this act. The President of the United States is not authorized by this section to enter into such agreement unless it contains a provision that it shall not take effect—

(a) Unless and until the Congress of the Philippines accepts it by law; and

(b) Unless and until the Congress of the Philippines (in the act of acceptance, or separately) has enacted such legislation as may be necessary to make all the provisions of parts 2, 3, 4, and 5 of title III take effect as laws of the Philippines, except (during the period prior to the amendment to the Constitution of the Philippines referred to in subsec. (b) of sec. 402) such provisions of section 341 as are in conflict with such constitution.

SEC. 402. Obligations of Philippines

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in the agreement the Government of the Philippines agrees—

(a) That the Republic of the Philippines will continue in effect as laws of the Philippines, during the effectiveness of the agreement, the provisions of parts 2, 3, 4, and 5 of title III, except (for the period prior to the amendment of the Constitution of the Philippines referred to in subsec. (b) of this section) such part of the provisions of section 341 as is in conflict with such constitution.

(b) That the Government of the Philippines will promptly take such steps as are necessary to secure the amendment of the Constitution of the Philippines so as to permit the taking effect as laws of the Philippines of such part of the provisions of section 341 as is in conflict with such constitution before such amendment.

(c) That the Republic of the Philippines will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary—

(1) to supplement the legislation referred to in section 401 (b), and to implement the provisions of parts 2, 3, 4, and 5 of title III; and

(2) to put and keep in effect during the effectiveness of the agreement, the allocation, reallocation, transfer, and assignment of quotas on the basis provided for in part 2 of title II.

(d) That the United States shall have the right to provide the basis for the allocation of the quotas established under that portion of the agreement which sets forth the provisions of section 403 (c) of this act, and that, if the United States exercises such right, the Republic of the Philippines will promptly enact, and keep in force during the period for which each such quota is established, such legislation as is necessary to put and keep in effect, on the basis provided by the United States, the allocation of such quotas.

(e) That there shall be permitted to enter the Philippines, without regard to any numerical limitations under the laws of the Philippines, in each of the years of a specified period of years, of a specified number of citizens of the United States. The number of years (which shall not be less than five) the number of citizens of the United States (which shall not be less than one thousand) entitled to be so admitted in each year, and the length of time each shall be entitled to remain in the Philippines, shall be stated in the agreement.

(f) That the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 403. Obligations of United States

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in such agreement the Government of the United States agrees—

(a) That upon the taking effect of the agreement the provisions of title II—

(1) if in effect as laws of the United States at the time the agreement takes effect, shall continue in effect as laws of the United States during the effectiveness of the agreement; or

(2) if not so in effect at the time the agreement takes effect (because suspended under section 502 of title V) shall take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

(b) That the United States will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary to supplement and implement the provisions of title II so continued in effect, or so made to take effect, as laws of the United States.

(c) That with respect to quotas on Philippine articles (other than the quotas established in pt. 2 of title II, and other than quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles), the United States will not establish any such quota for any period before January 1, 1948; and that, for any part of the period from January 1, 1948, to July 3, 1974, both dates inclusive, it will establish a quota with respect to any Philippine articles only if—

(1) the President of the United States, after investigation, finds that such Philippine articles are coming, or are likely to come, into substantial competition with like articles the product of the United States; and

(2) the quota etsablished for any Philippine article for any 12-month period is not less than the amount determined by the President as the total amount of Philippine articles of such class which (during the 12 months ended on the last day of the month preceding the month in which occurs the date proclaimed by the President as the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption; or, if the quota is established for any period other than a 12-month period, is not less than a proportionate amount.

(d) That during the effectiveness of the agreement the United States will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue Code (relating to processing taxes on coconut oil, etc.) with respect to articles "wholly the production of the Philippine Islands" or articles "produced wholly from materials the growth or production of the Philippine Islands"; except that it may suspend the provisions of subsection (a) (2) of such section during any period as to which the President of the United States, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States.

SEC. 404. Termination of agreement

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides—

(a) Termination in general: That the agreement shall have no effect after July 3, 1974; and

(b) Termination by either party:

(1) that the agreement may be terminated by either party at any time, upon not less than 5 years' notice; and

(2) that if the President of the United States or the President of the Philippines determines and proclaims that the other country has adopted or applied measures or practices which would operate to nullify or impair any right or obligation provided for in such agreement, then the agreement may be terminated upon not less than six months' notice; and

(c) Termination or suspension by the United States:

(1) that if the President of the United States determines that a reasonable time for the making of the amendment to the Constitution of the Philippines referred to in section 402 (b) has elapsed, but that such amendment has not been made, he shall so proclaim and the executive agreement shall have no effect after the date of such proclamation; and

(2) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, then the United States shall have the right to suspend the effectiveness of the whole or any portion of the agreement; and

(3) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the discrimination which was the basis for the suspension under paragraph (2) of this subsection—

(A) has ceased, the suspension effected under paragraph (2) shall end; or

(B) has not ceased after the lapse of a time determined by the President of the United States to be reasonable, then the United States shall have the right to terminate the agreement upon not less than 6 months' notice.

SEC. 405. Effect of termination of agreement

Upon the termination of the agreement as provided in section 404, the provisions of title II shall cease to have effect as laws of the United States.

SEC. 406. Interpretation of agreement

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides that the acceptance of the provisions of titles II and III is on the understanding that the definitions, and provisions in the nature of definitions, contained in section 2 of title I, shall apply in the interpretation of the provisions so accepted.

SEC. 407. Termination of authority to make agreement

Whenever the President of the United States determines that a reasonable time for the entering into, acceptance, and taking effect, of the executive agreement has elapsed, but that such agreement has not taken effect, he shall so proclaim, and thereupon his authority to enter into such executive agreement shall terminate, and the provisions of title II shall cease to have effect as laws of the United States.

SEC. 408. Effective date of agreement

When the President of the United States determines that the executive agreement entered into under section 401 has been accepted by the Congress of the Philippines by law and that the Congress of the Philippines has enacted the legislation the enactment of which is, under section 401, a condition precedent to the taking effect of the agreement, he shall so proclaim, and in his proclamation specify the effective date of the agreement.

TITLE V—MISCELLANEOUS

SEC. 501. Suspension and termination of agreement in case of discrimination

(a) Suspension: If the President of the United States determines, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, he shall so proclaim, and thereupon the effectiveness of the agreement, or such part thereof as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States, shall be suspended.

(b) Termination of Suspension: If the President of the United States, after consultation with the President of the Philippines,

determines that the discrimination which was the basis for the suspension under subsection (a) of this section has ceased, he shall so proclaim, and thereupon the suspension effected under subsection (a) shall end.

(c) Termination of Agreement: If the President of the United States, after consultation with the President of the Philippines, determines that such discrimination has not ceased, after the lapse of a time determined by him to be reasonable, he shall so proclaim and give to the Philippine Government notice of the intention of the United States to terminate the agreement.

(d) Laws of the United States:

(1) In case of suspension: If the effectiveness of the agreement is suspended under subsection (a) of this section, the provisions of title II of this act shall cease to have effect as laws of the United States during the period of the suspension. If the suspension is of the effectiveness of only part of the agreement, then such provisions of title II as the President may in his proclamation under subsection (a) specify as necessary adequately to protect the interests of the United States, shall cease to have effect as laws of the United States during the period of this suspension.

(2) In case of termination: If the agreement is terminated under subsection (c) of this section, the provisions of title II of this act shall cease to have effect as laws of the United States.

SEC. 502. Suspension of title II

If the President finds that, during the period after July 3, 1946, and before the taking effect of the executive agreement provided for in title IV, the Government of the Philippines is not putting into effect, or making every effort to put into effect, to the fullest extent possible under its Constitution, the provisions of title III of this act, or is not providing for the allocation of quotas on the basis provided in section 211, 212, or 214, respectively, he shall so proclaim. On the day following the date of such proclamation, such provisions of title II shall be suspended as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States. Such suspension shall continue until the taking effect of the executive agreement provided for in title IV, whereupon the suspension shall terminate and the suspended provisions shall again take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

SEC. 503. Customs duties on importations from Philippines

Articles coming or imported into the United States from the Philippines, and Philippine products coming or imported into the United States, shall, except as otherwise provided with respect to Philippine articles by title II of this act during the period such title is in effect—

(1) if entered, or withdrawn from warehouse, in the United States for consumption, during the period from the day after the date of the enactment of this act to July 3, 1946, both dates inclusive, be subject to the same duties as like articles coming or imported into the United States from foreign countries, except Cuba; and

(2) if so entered or withdrawn during the period after July 3, 1946, be subject to the same duties as like articles coming or imported into the United States from other foreign countries, except Cuba.

SEC. 504. Quotas on Philippine articles

(a) Establishment by President: After the executive agreement referred to in title IV has taken effect, then whenever the President of the United States, after the investigation by the United States Tariff Commission provided for in subsection (d), finds, with respect to any Philippine articles (other than those for which quotas are established by part 2 of title II), that they are coming, or likely to come, into substantial competition with like articles which are the product of the United States, he shall so proclaim, and in his proclamation shall establish the total amount of such Philippine articles which may in each of specified periods be entered, or withdrawn from warehouse, in the United States for consumption. If he finds that the allocation of any quota so established is necessary to make the application of the quota just and reasonable between the United States and the Philippines, he shall, in such proclamation or a subsequent proclamation, provide the basis for such allocation.

(b) Maximum and minimum quotas: No quota shall be established under subsection (a), with respect to a Philippine article, which is greater than the smallest amount of such article which in each of such specified periods the President determines may be so entered or withdrawn from warehouse without coming into substantial competition with like articles which are the product of the United States; except that in no case shall the quota be less than the minimum amount provided in that portion of such executive agreement which sets forth the provisions of section 403 (c) (2) of this act.

(c) Duration of quotas: Any quota established pursuant to this section shall become effective at such time as the President shall designate (but not before January 1, 1948), and shall continue in effect until the President, after investigation, finds and proclaims that the conditions which gave rise to the establishment of such quota no longer exist, but no such quota shall continue in effect after the termination of the executive agreement provided for in title IV.

(d) Investigations by Tariff Commission: The United States Tariff Commission shall at the request of the President, upon resolution of either House of Congress or concurrent resolution of both Houses of Congress, upon its own motion, or when in its judgment there is good reason therefor, upon application of any interested party, make an investigation to ascertain (1) whether imports of a Philippine article (other than an article for which a quota is established by pt. 2 of title II) are coming, or are likely to come, into substantial competition with like articles which are the product of the United States; (2) what is the greatest amount of such article which may be entered, or withdrawn from warehouse, in the United States for consumption, without coming into substantial competition with like articles which are the product of the United States; and (3) the total amount of such article which (during the 12 months ended on the last day of the month preceding the month in which occurs the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption. During the course of the investigation the Commission shall hold a public hearing, of which reasonable public notice shall be given and at which parties interested shall be afforded reasonable opportunity to be present, to produce evidence, and to be heard. The Commission shall give precedence to such investigations. The Commission shall report the results of its investigations to the President, and shall send copies of such report to each House of the Congress.

SEC. 505. Processing tax on coconut oil

(a) Exemption for Philippines: Section 2470 (a) (2) of the Internal Revenue Code is amended by striking out the word "other" wherever it appears in clauses (A) and (B) thereof; and by inserting at the end of the paragraph a new sentence to read as follows: "The tax imposed by this paragraph shall not apply to any domestic processing after July 3, 1974."

(b) Suspension of section 2470 (a) (2) of Internal Revenue Code: Whenever the President, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States, he shall so proclaim, and after the date of such proclamation the provisions of section 2470 (a) (2) of the Internal Revenue Code shall be suspended until the expiration of 30 days after he proclaims that, after consultation with the President of the Philippines, he has found that such adequate supplies are so readily available.

SEC. 506. Termination of payments into Philippine Treasury.

(a) Notwithstanding the provisions of section 4 of the act of March 8, 1902 (32 Stat. 54, ch. 140), or of section 19 of the act of March 24, 1934 (48 Stat. 456, ch. 84), as added to such act by section 6 of the act of August 7, 1939 (53 Stat. 1232, ch. 502), or of the act of November 8, 1945 (59 Stat. 577, ch. 454), or of any other provision of law, the proceeds of any duties or taxes, collected subsequent to July 3, 1946, which but for the enactment of this act would be required to be paid into the general funds of the Treasury of the Philippines or would be held in separate or special funds and paid into the Treasury of the Philippines, shall be covered into the general fund of the Treasury of the United States.

(b) Sections 2476 and 3343 of the Internal Revenue Code are repealed, effective July 4, 1946.

SEC. 507. Special Excise Provisions Relating to the Philippines Repealed.

(a) Section 2800 (a) (4) of the Internal Revenue Code is amended by amending the heading to read:

"(4) Alcoholic Compounds from Puerto Rico and Virgin Islands.—";

and by amending subparagraph (B) to read as follows:

"(B) Virgin Islands.—For provisions relating to tax on alcoholic compounds from the Virgin Islands, see section 3350."

(b) Sections 3340, 3341, and 3342 of the Internal Revenue Code are repealed, effective July 4, 1946.

(c) Subchapter B of chapter 28 of the Internal Revenue Code is amended as follows:

(1) By amending the heading of such subchapter to read as follows:

"SUBCHAPTER B—PROVISIONS OF SPECIAL APPLICATION TO THE VIRGIN ISLANDS AND PUERTO RICO"

(2) By striking out the heading:

"PART I—PHILIPPINE ISLANDS"

(3) By renumbering parts II and III of such subchapter as "Part I" and "Part II", respectively.

SEC. 508. Trade Agreements with the Philippines.

Until July 4, 1974, no trade agreement shall be made with the Philippines under section 350, as amended, of the Tariff Act of 1930, unless, prior to such time, the President of the United States has made the proclamation provided for in section 407 of this act or the executive agreement provided for in title IV of this act has been terminated.

SEC. 509. Rights of Third Countries.

The benefits granted by this act, and by the executive agreement provided for in title IV, to the Philippines, Philippine articles or products, and Philippine citizens, shall not, by reason of any provision of any existing treaty or agreement with any third country, be extended to such country or its products, citizens, or subjects.

SEC. 510. Administration of title II

(a) The provisions of parts 1, 2, and 3 of title II shall be administered as parts of the customs and internal revenue laws of the United States.

(b) The provisions of part 4 of title II shall be administered as a part of the immigration laws of the United States.

SEC. 511. Repeals

The following parts of acts are repealed, effective on the day following the date of the enactment of this act:

(1) section 301 of the Tariff Act of 1930;

(2) section 6 (except subsection (g)) of the act of March 24, 1934 (48 Stat. 456, ch. 84), as amended by the act of August 7, 1939 (53 Stat. 1226, ch. 502); and

(3) so much of section 13 of such act of March 24, 1934, as amended by the joint resolution of June 29, 1944 (58 Stat. 626, ch. 323), as reads as follows: "After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries."

SEC. 512. Effective date

This act shall take effect on the day after the date of its enactment, except part 2 of title II, which shall take effect as of January 1, 1946.

Mr. DOUGHTON of North Carolina (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the bill may be considered as read, that it be printed in the RECORD at this point, and that amendments may be offered to any part of the bill.

Mr. RICH. Mr. Chairman, reserving the right to object, and I shall not, I wish to ask one or two questions of the gentleman from Arkansas about the bill.

The CHAIRMAN. The gentleman may do that under the 5-minute rule.

Mr. RICH. That is all I want.

Mr. STEFAN. Mr. Chairman, reserving the right to object, are we to understand that amendments may be offered to any part of the bill or that we may speak of any part of the bill under the 5-minute rule?

Mr. COOPER. The very purpose of the request was to allow that.

Mr. STEFAN. I withdraw my reservation of objection, Mr. Chairman.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina that the bill be considered as read, and that amendments may be offered to any part of the bill?

There was no objection.

Mr. COOPER. Mr. Chairman, on behalf of the committee I offer an amendment.

The Clerk read as follows:

Committee amendment offered by Mr. COOPER: Page 21, line 9, strike out "immediately prior to" and insert in lieu thereof the following: "during the period of 42 months ending."

The CHAIRMAN. The question is on the committee amendment offered by the gentleman from Tennessee.

The committee amendment was agreed to.

Mr. COOPER. Mr. Chairman, I offer another committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. COOPER: Page 28, line 6, strike out "immediately prior to" and insert in lieu thereof the following: "during the period of 42 months ending."

The CHAIRMAN. The question is on the committee amendment offered by the gentleman from Tennessee.

The committee amendment was agreed to.

Mr. COOPER. Mr. Chairman, I offer another committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. COOPER: Page 34, lines 6 and 7, strike out "a quota with respect to any Philippine articles" and insert in lieu thereof the following: "such a quota."

The CHAIRMAN. The question is on the committee amendment offered by the gentleman from Tennessee.

The committee amendment was agreed to.

[Mr. CURTIS addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. RICH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, may I ask the gentleman from Nebraska a question, since he did not have time to permit me to interrogate him? I want to know why it is that we are making a law now that cannot be changed for 28 years.

Mr. CURTIS. Because it is in effect an executive agreement, that is as binding as a treaty. We say that we are bound by it for 28 years. However, either country can terminate it upon 5 years' notice. That would be most difficult once the economies of both countries become geared to the arrangement, and it would be especially difficult to do that for the relief of one industry.

Mr. RICH. Who gave that Executive order?

Mr. CURTIS. That is the very essence of this legislation. When you vote for this bill today you vote for that.

Mr. RICH. To give the Chief Executive power to do that? If it is, then you are going to have one vote against it, because I am sick and tired of the Congress giving the Chief Executive these powers. It is time for the American Congress to act and not turn its powers over to the Chief Executive.

Mr. CURTIS. Let me answer that. I am anxious to do something for the Philippines.

Mr. RICH. So am I. And I am interested more so in the United States.

Mr. CURTIS. I want to defend this bill in that regard. This bill delegates no discretionary authority to the President of the United States in reference to this executive agreement. It states specifically what shall be included in it and leaves it to that, with one exception. It does open the way for certain negotiations in the matter of the integration of American citizens into the Philippine Islands. Otherwise, you today are saying what is to go into that executive agreement. It is not a delegation of authority.

Mr. RICH. That is different, then. However, I recall back in 1939 when by order of the Executive or by order of the Czar of the Department of the Interior you destroyed 250,000 tons of sugar in Puerto Rico and destroyed 250,000 tons of sugar in the Virgin Islands, while at the same time you were paying the sugar growers over there and the sugar growers in this country $68,000,000 for not raising sugar. Think of it. The next year the administration turned around and passed a law giving them $69,000,000 for raising sugar. If that is the kind of business you do here, it is about time that we clean house and clean it quick. A New Deal wrinkle, some wrinkle.

Another thing I want to know about raising sugar is this. In the Virgin Islands you have your sugar quota and you are still raising sugar. You have the rum plants there under the Interior Department using the sugar to manufacture rum. Can anybody answer that question? Every American is a stockholder in a rum plant.

Mr. DINGELL. Rum is being made out of molasses.

Mr. RICH. You baffle me so. I do not know what it is made of. Really, you take my breath away telling the things about this Administration. But I want you to know that this administration has not been followed by the gentleman from Pennsylvania. I do not want to follow it, and never did. I am not a party to it. I did not give them that authority and it is for that reason I am questioning now whether you ought to give this authority of a contract for 28 years. I am afraid of a contract of that duration. I am afraid of what might happen, notwithstanding the fact that either one of the parties to the contract can cancel it on 5 years' notice. It is dangerous. A contract of 5 years' duration can do much harm to America, 1 year would be long enough.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. KNUTSON. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, there is a great deal of merit to what the gentleman from Pennsylvania says. However, we are confronted with a situation, not a theory.

The islands were devastated during the war. In order to be rehabilitated, it will be necessary for considerable American capital to go into the islands. If we were to limit the life of this law to, let us say, 10 years, little American capital would go to the Philippines. It is doubtful if American capital would go in if we limit it to 20 years. We must not overlook the fact it is going to take the Filipino people, if they apply themselves diligently, at least 3 years before they will be able to take advantage of the benefits conferred by this legislation. Therefore, I think that answers the gentleman's contention. I am in full accord with his position, and under normal circumstances I would say he is 100-percent right.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. RICH. Of course, I want to help the Philippine Islands and the Filipino people.

Mr. KNUTSON. I am sure of that.

Mr. RICH. I certainly want to keep my eye all the time on the United States of America, however.

Mr. KNUTSON. Yes, so do I, but I call the attention of the gentleman to the fact that this is one trade agreement that has come before the Congress which

was not negotiated or dictated by the executive branch of the Government. This is a congressional trade treaty and, as such, I hope every Member of the House on both sides of the aisle will vote for it.

Mr. DINGELL. My friend brings that out very forcefully, but may I just add, and I am sure he will agree, that under the bill now before us the basic bill becomes the executive agreement or else there is no executive agreement.

Mr. KNUTSON. That is right. The gentleman from Pennsylvania can support this bill with a clear conscience.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to my good friend and colleague, the gentleman from New York.

Mr. REED of New York. Of course, it is well understood, I assume, by the Members of the House that the President has the constitutional power, if he wishes to exercise it, to enter into negotiations for a treaty with the new government and write any sort of a treaty that he wants to write provided he can get the approval of the Senate to the treaty.

Mr. KNUTSON. Yes, that is true.

Mr. CLEVENGER. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to my friend, the gentleman from Ohio.

Mr. CLEVENGER. I think in common with the rest of our membership, the gentleman has seen in the press the story of lobbying by the sugar interests. I am a member of the Committee on Agriculture and I have sugar planters in my district. I have been unable to find a single man on the Committee on Agriculture or any other committee who has ever met the sugar lobby that is supposed to be trying to cut the Philippine quota. I wonder if the gentleman has ever seen one.

Mr. KNUTSON. The so-called sugar lobby is nothing but a figment of the imagination on the part of a few who are trying to get Congress to act against their best judgment. There has been no such thing as a sugar lobby, a Washington newspaper to the contrary notwithstanding.

Mr. CLEVENGER. The same is true with reference to the housing bill which the House recently considered. We heard a lot about the so-called real-estate lobby.

Mr. KNUTSON. Oh, whenever they have a weak proposition that needs to be bolstered up, they always conjure up lobbies and other such figments of their imagination.

Mr. WOODRUFF. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. WOODRUFF. Will the gentleman not agree that that was a figment of the imagination of the administration's superlobbyist?

Mr. KNUTSON. Whether it was superlobby or superduperlobby, I do not know. It was a most unusual set-up, I will say that. I do not think it was sufficiently intelligently directed to be called a lobby.

Mr. DOUGHTON of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Yes; of course.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I ask unanimous consent to proceed for five additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. DOUGHTON of North Carolina. Is it not the gentleman's opinion that if the gentleman from Pennsylvania [Mr. RICH] with his watchful eye, his brilliant mind, and his alertness on behalf of the American people, had been a member of our committee and for months had lived with this matter as much as we have, that he would be here defending this bill as we are, with his usual outstanding ability, energy, and industry?

Mr. KNUTSON. I am satisfied that if the gentleman from Pennsylvania [Mr. RICH] understood this bill as does this committee, which has been laboring with it for months, he would be here defending it and advocating its passage with all the ardor of a crusader.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Certainly.

Mr. RICH. After the explanation made by the chairman of the committee and the gentleman from Minnesota, and with their assurance that this is the thing to do to aid and assist the people of the Philippines and to save America, I will go along with you, in the hope that it will do that eventually and will be for the best interests of this country.

Mr. KNUTSON. Of course, we have not had very much success in saving other people in the past, although it has not been due to the lack of lavish expenditures.

Mr. Chairman, I yield back the balance of my time.

[Mr. VOORHIS of California addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. COLE of New York. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COLE of New York: Page 20, line 24, strike out the proviso.

Mr. COLE of New York. Mr. Chairman, I hope the offering of this amendment will not in any way be considered a discordant note in what has otherwise been a very harmonious discussion of the bill under consideration. If for a moment I thought the effect of this amendment would in anyway change or jeopardize the passage of this bill I certainly would not offer it. Let it be definitely understood that the effect of the amendment in no way changes the trade relationships with the Philippines established under the terms of this bill.

The amendment relates wholly to Puerto Rico. Under existing law all the internal revenues collected on goods made in Puerto Rico and sold in the United States are covered into the treasury of Puerto Rico. With that I have no disagreemnt. I recognize that the economy of Puerto Rico is much the same as that of the Philippines. They are dependent largely upon us and we should in every way necessary subsidize their economy. My disagreement is completely concentrated toward the use to which these funds have been put, especially in the last 3 years. Largely during the war period these revenues have gradually increased until, it is my recollection, last year approximately $80,000,000 of internal revenues which, if collected in any State of the Union would have been retained in our Treasury, were turned over to Puerto Rico. If the American people realized to what uses those moneys have been put in the last 3 years, largely under the regime of Governor Tugwell, they would be amazed. It is unbelievable that such a system of economic activity exists any place under the American flag. Let me tell you about it briefly, although in 5 minutes I cannot begin to tell you all that has happened and is happening.

The insular government of Puerto Rico through a system of different government corporations is permitted to engage in any kind of business or industry whatsoever. It has bought lands with this money that we have sent down there and distributed those lands to private individuals. It is running the one railroad that is on the island. It is even now running or is in the process of acquiring the telephone company. It owns the telegraph company, it operates the bus lines and taxis, it operates the electric lines, the public utility lines, the power resources of the island; it is in the banking business, and in the cement business. There is not a single type of business activity that the government of Puerto Rico, acting through these agencies cannot engage in and that is what the American people's money is being used for under the terms of existing law.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from Tennessee.

Mr. COOPER. I hope the gentleman agrees that that question should be considered on its merits and not brought into this matter which relates to the Philippines. The only reason this provision is in here at all is to try to keep Puerto Rico from discriminating against the Philippines. That is the only reason it is in here. It has no relation to the subject matter under discussion.

Mr. COLE of New York. It is for that purpose that I have offered the amendment so the matter can be given consideration by the Congress. There have been bills pending before the Congress and referred to the gentleman's Committee on Ways and Means for over 2 years which will do this very thing, which would not withhold money from Puerto Rico but would, on the contrary, make sure that the money coming from our Treasury would be used in Puerto Rico for the things that the American people think it should be used for, namely, for the building of schools, for paying the salaries of school teachers, to build hospitals, roads, and things of that sort, but not to be put into enterprises such as have been operated in the past.

Let me read to you a letter I have received from a friend of long standing in Puerto Rico, a man whose judgment and counsel I respect. I cannot disclose his identity for fear of political recrimination against him, and there is plenty of

evidence of that as to Puerto Rican citizens who have criticized the administration in that island. He states:

All the newspapers of this island have written articles and editorials stating that we are under a totalitarian, Fascist, Communist government. The latest thing they have done is to appropriate money to petition the Federal Communications in Washington to own and operate a radio station which is intended for political propaganda. The legislature will be closed this week and $80,000 has been appropriated for the expenses of a committee of representatives and senators to go to Washington; besides $200,000 were appropriated for offices in Washington for propaganda.

Mr. Chairman, the people of Puerto Rico have a representative in the Congress, a Commissioner who has the same salary, the same office equipment and facilities that either you or I have; yet the insular government has thought it necessary to establish an extra-governmental activity up here to the extent of $200,000. I may say, in this connection, that it is my understanding it has already engaged former Under Secretary of the Interior, Mr. Abe Fortas, as its public relations counsel at an annual retainer or salary of $25,000 a year. It is for such purposes as that that these Federal Internal Revenue monies, collected by the United States Treasury and turned over to the Puerto Rican treasury, are being used, and it is to stop such abuses that I have offered this amendment.

Mr. MATHEWS. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from New Jersey.

Mr. MATHEWS. Is it not true that if this proviso remains in there and the bill becomes effective it will be in there for 28 years and cannot be taken out without the consent of the two governments?

Mr. COLE of New York. That is a consideration, because I assume if this bill is adopted, it might well be argued by some, whether with good logic or not, that we cannot in any way touch, modify, or change the Filipino trade bill if we come to consider the Puerto Rican phase of it.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. COLE of New York. I yield to the gentleman from Arkansas.

Mr. MILLS. I think the gentleman is entirely incorrect in his supposition that this will last for 28 years. We can do anything affecting Puerto Rico and do anything we want to with reference to funds going to Puerto Rico without violating this agreement. The only reason for this language being included in the bill at all is to remove the discrimination or the possibility of discrimination on the part of Puerto Rico in internal taxes against the Philippines.

Mr. COLE of New York. I realize it will be argued that amendments of this sort on a bill relating to the Philippines should not be offered if they relate to Puerto Rico, but as long as the amendments in nowise affects the Philippine relationship established under this bill and does very directly and forcibly bring to the attention of the Congress a condition in Puerto Rico which to my mind is abominable, I feel it should have the determined support of the committee and House this afternoon.

Mr. BELL. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I do not know of any Member of this House whose amendment I would be more reluctant to oppose than my distinguished friend the gentleman from New York [Mr. COLE]. He and I have served together on the Committee on Insular Affairs for many years, and I greatly admire his ability, his sincerity, and his patriotism. I can agree with him on many things that he says.

Conditions in Puerto Rico are rotten. Mr. Tugwell has a philosophy as foreign to anything I believe in as is possible for day to be foreign to night or the North Pole to be foreign to the South Pole. But the amendment that the gentleman offers is just as foreign to the purposes of this bill.

This is a bill for the purpose of taking care of the Philippine situation. The only purpose, as the gentleman stated a few moments ago, for which this section was put in here was to make a slight amendment to provide that Puerto Rico shall not discriminate against the Philippines in respect to certain general provisions in this bill. I think it would be a great mistake to start now and open up a controversy that ought to be debated for a week.

Mr. DOUGHTON of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. BELL. I yield to the gentleman from North Carolina.

Mr. DOUGHTON of North Carolina. Is not this matter of Puerto Rico one that should be more appropriately considered by the Committee on Insular Affairs, of which the gentleman is chairman?

Mr. BELL. I think the gentleman is entirely correct.

May I say this to the House that the distinguished High Commissioner to the Philippines is remaining here in Washington. He is long overdue in the Philippines. The situation out there is very urgently demanding his presence, and yet he is having to wait here until this legislation has been disposed of. This bill has to go from here over to the Senate, and if we open up pandora's box on Puerto Rico in the Senate, it may be weeks longer before this legislation is disposed of. I think beyond any question those of us who want to see this constructive bill enacted and enacted quickly, as as ought to be, should vote down the amendment. I urgently request that you do that.

On the other hand, I will say that there are many things upon which I can agree with my distinguished colleague.

Mr. JUDD. Mr. Chairman, will the gentleman yield?

Mr. BELL. I yield to the gentleman from Minnesota.

Mr. JUDD. Can the distinguished chairman of our Committee on Insular Affairs give us any assurance that there will be in the committee consideration at an early date of this matter of Puerto Rico? We have had it up a dozen times in the last 3 years and never have been able to get it through to any sort of conclusion. I agree with the gentleman that it should not be done in this bill, but I wish the gentleman would assure the House that we in the Committee on Insular Affairs can get it out shortly.

Mr. BELL. I think the gentleman knows that any delay in bringing this out has not been the fault of the chairman. I think the gentleman knows that. I spent 2 or 3 months' time taking thousands of pages of testimony gathering the very facts that the gentleman from New York has referred to, and the only thing that is keeping it from being considered by the committee is the tremendous press of other matters which have occupied our time.

Mr. JUDD. But I wonder, does the gentleman have a reasonably accurate idea or definite idea as to when we may be able to consider it?

Mr. BELL. I will give the gentleman my individual feeling about it: As quickly as we can get this bill and another bill that is coming up, affecting the Philippines, disposed of. Whenever the committee wants to consider it, I will be one of the most willing members of the committee to go into it thoroughly.

Mr. JUDD. Between now and June 30?

Mr. BELL. I am not going to fix any date, because I cannot control those things any more than the gentleman can. I merely told the gentleman what I, as an individual, would like to do.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. BELL. I yield to the gentleman from New York.

Mr. COLE of New York. It is very unfortunate, but I am fearful that the gentleman's committee will have no jurisdiction over any legislation, since a bill of this nature, being amendatory of a revenue law, would go to the Committee on Ways and Means; and, in fact, the bill to which I referred, which was introduced 2 years ago, has been before the Committee on Ways and Means and there has been no action.

Mr. BELL. I think the gentleman knows that I have again and again offered to go with him before that committee to lend my voice and every ounce of energy, and influence, if any I have, to get the committee to consider that bill. We have not done it just because we have been pressed with other matters. That is the only reason it has not been taken up.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I ask unanimous consent that all debate on this amendment do now close.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. COLE].

The question was taken; and on a division (demanded by Mr. COLE of New York) there were—ayes 26, noes 50.

So the amendment was rejected.

Mr. MILLER of Nebraska. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise to direct attention to two provisions of this bill, the sugar and the coconut oil provision.

I know there have been some very fine laudatory words said here about the Filipino people, and I join with others

in giving praise but much has been an emotional appeal. But in considering an important bill like this we ought to look at it in a cold, hard way and face the realities as to what will happen to business in this country after we pass the bill, yes 20 years from now. I join with those who say the Filipino people were grand in their defense of the Philippines. So were the Austrailians, and so were those people who gave their lives at Corregidor, and others.

I wish to call your attention to the sugar provision in the bill. It permits 850,000 short tons of sugar to come into the United States for 28 years. This is more than the Philippines had from 1926 to 1929. Then they had an average of 549,000 tons. From 1934 to 1937 they had an average of 979,283 tons.

This House should be mindful of the fact that there are certain segments in the Department of Agriculture that have not been friendly to the production of sugar in the United States. I can remember a few years ago when in Nebraska they hung somebody in effigy—he was the head of the Department of Agriculture at that time. They were talking about plowing under our crops and killing little pigs at that time. The agricultural head made the statement that sugar beets should not be raised in this country.

I call the attention of the House to the fact that sugar is an important industry in many sections of the United States. In my own district there are five or six sugar factories. It takes about 10,000 acres of sugar beets to keep a factory going. An acre of 20 tons of sugar beets produces about 64 100-pound bags of sugar. It produces 350 pounds of refuse syrup, and 1,600 pounds of dried pulp tops. The byproducts from this acre of beets that produced 6,400 pounds of sugar will produce more beef than the corn from an acre or 75 bushel of corn. An acre of 20 tons of beets sold last fall for $13.50 per ton, or $270 per acre, and the tops will sell for about $15 an acre.

It takes about 10,000 acres of beets to run a factory as it should be run. Each factory can be depended upon to feed 75,000 lambs and 10,000 head of cattle each season.

That is important when you stop to think about the sugar-beet industry in this country. I hope the provisions concerning sugar in this bill will not in the future preclude the development of more sugar-beet acreage in this country. The sugar-beet growers have been under a quota in the past. They were told how much they can raise. I am sure they will be again told how many acres they can plant. This bill sets up the pattern.

It is quite possible under this bill that when new areas are developed by irrigation the Department of Agriculture will say, "You cannot raise any more sugar beets because we are getting enough sugar now from the Philippine Islands."

The other provision in this bill that I should direct your attention to is the provision concerning coconut oil. You provide for 200,000 long tons of coconut oil every year for 8 years. Heretofore the average amount of coconut oil from the Philippines has been less than 150,000 tons a year. It is true that for 8 years it stays at 200,000 tons and then after that it is reduced 5 percent a year until it is finally down to zero. But I would remind you people who raise corn and feed cattle and hogs that the fat around the entrails of the hogs and sheep and cows are pretty important sources of oil. The Philippine Islands may be 10,000 miles away from you, but you are next door economically so far as the competition with fats and oils is concerned. The farmers of this country may be competing with the cheapest labor of the Philippine Islands and may be trying to produce oils which they cannot compete with under the provisions of this bill. Neither do we know in 5 or 10 years the type of government which may prevail in these islands. I understand there is a very strong communistic feeling in some parts of the Philippines which may be in power in the near future. I do view with some alarm the economic provisions of this bill.

Mr. GEELAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. GEELAN: On page 11, line 21, after the word "sugars", strike out the period and insert a colon and the following: "*Provided, however,* That this section shall not be applicable during the period of time that sugar is a rationed commodity in the United States."

[Mr. GEELAN addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. DOUGHTON of North Carolina. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the amendment was not considered by the committee. This is no time to be adopting amendments that may throw the whole bill out of balance. I can see no reason for the amendment whatever. The bill has been considered and has the unanimous report of the committee. Why was it not brought before the committee if it was so important?

Mr. SIMPSON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON of North Carolina. I yield.

Mr. SIMPSON of Pennsylvania. Is it not probable that a great many years will pass before the Philippines will be able to produce any like quantity of sugar as will even reach the amount of their quota?

Mr. DOUGHTON of North Carolina. I think that is probably true.

Mr. SIMPSON of Pennsylvania. And within that period of several years we certainly should have sufficient sugar available to avoid any further rationing.

Mr. DOUGHTON of North Carolina. Certainly.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON of North Carolina. I yield.

Mr. KNUTSON. I am under the impression that the President would have the power to make the adjustment which the gentleman from Connecticut [Mr. GEELAN] seeks to accomplish in this amendment. I would like to say for the benefit of the gentleman that it was testified before our committee that it will be 3 years before the Philippines can begin to ship sugar to this country in any volume.

Mr. JUDD. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON of North Carolina. I yield to the gentleman from Minnesota [Mr. JUDD].

Mr. JUDD. I wish to add my voice in appreciation to this amendment. There are many good and legitimate reasons for hoping that the Filipinos will never again plant enough sugar to reach the quota of 850,000 short tons provided in this bill. It seems to me it would be utterly selfish on our part to encourage them to plant even more than the 850,000 short tons, just in order to get a little more sugar for ourselves during this period of shortage. It would not be a kindness to them to encourage them to go back to a predominantly one-crop country. The more self-restraint they exercise in limiting their planting of sugar to the quota, or even less, the better it will be for them. The least helpful thing we could do would be to invite them to get their country again so dependent economically on the production and sale of one commodity—sugar—to the United States.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON of North Carolina. I yield.

Mr. MILLS. Is it not a fact that the gentleman's amendment would not give us any more sugar for the next few months, or for the period when sugar is to be rationed in the United States, than we can obtain under the bill as it is now written?

Mr. DOUGHTON of North Carolina. That is undoubtedly true.

Mr. GEELAN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON of North Carolina. I yield.

Mr. GEELAN. Is it not the purpose of this Committee sitting as the Committee of the Whole to consider amendments? Is it not for the purpose of offering these amendments? How can the gentleman claim that because it has not been heard by the committee considering this bill, it is not properly considered at this time? That is what we are sitting here for. If all the other objections raised to this amendment are true, what harm can be done to this bill by the adoption of this amendment? All you are doing is saying that during this period of time when there is a shortage of sugar in the United States, this quota will not be applicable.

Mr. MILLS. What we are endeavoring to do, by fixing a certain quota on sugar that can be shipped from the Philippines into the United States and naming the date over which it will run, is to get people in the United States and other places to go back there immediately and start doing it. If we accept your amendment, we will be that much longer delayed in getting them back to the Philippines.

Mr. GEELAN. I submit the amendment would hasten that, because it would encourage production immediately, which will not happen under this bill,

inasmuch as there will be certain restrictions.

Mr. DOUGHTON of North Carolina. I do not think the gentleman is correct. I hope the amendment will be defeated.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield further?

Mr. DOUGHTON of North Carolina. I yield.

Mr. KNUTSON. Under ordinary circumstances I would be happy to support the gentleman's amendment, because I think it would be meritorious, but not under the present circumstances.

Mr. GEELAN. Are not these extraordinary circumstances when you have to ration a commodity in this country?

Mr. KNUTSON. I think it would be harmful to adopt the amendment at this time.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

The question is on the amendment offered by the gentleman from Connecticut [Mr. GEELAN].

The amendment was rejected.

Mr. STEFAN. Mr. Chairman, I move to strike out the last word.

(Mr. STEFAN asked and was given permission to revise and extend his remarks.)

Mr. STEFAN. Mr. Chairman, now, while we are considering the Philippine Trade Act of 1946, is an opportune time to recall that before and during Japanese occupation of the Philippine Islands an organization known as the Philippine National Volunteers served valiantly in the cause of defense and freedom. This organization, formed in 1932, once had more than 100,000 members. These men ranged in age from 18 to 45 years. They wore uniforms and were trained. The members were sworn to uphold and defend the Constitution of the United States and the Constitution of the Philippine Commonwealth. The organization was dedicated to the observance and support of organized law and order. All Provinces of the Philippine Islands contributed to its membership. The Philippine National Volunteers were largely responsible for putting down the Sakdalista uprising. They were an instrument of good government. Before the arrival of the Japanese the organization prepared for defense. Many of its members joined the Filipino Army and thousands became guerrilas.

The Philippine National Volunteers are still in existence. The story of these patriotic Filipinos is told in a letter that I have just received from one of their high-ranking officers, Brig. Gen. H. W. Lombard. And I make this letter a part of these remarks.

LOS ANGELES, CALIF., *March 23, 1946.*

To Hon. KARL STEFAN,
Member of Congress,
House of Representatives,
Washington, D. C.

MY DEAR COLONEL STEFAN: Having at last commenced to recuperate from the ravages caused by 37 months in the Jap prison camp at Santo Tomas and later that at Los Banos, am writing to let you know that I am here and that I shall be in Washington shortly. Hope to see you there.

The story of events in Manila leading to the outbreak of war has been so often written that I shall say nothing of them here, but the story of the intense and arduous preparation of thousands of young Filipinos of the Philippine National Volunteers for war has been unsung and unpublicized, as has been the efforts of the headquarters staff to plan for the maintenance, uniforms, supply, and instruction of its members.

Not 1 cent of assistance was ever received from the government, or assistance in any form whatsoever. Yet officers and men labored incessantly at all hours of the day and night to prepare themselves to be of efficient value to the government when the time came. They gave of their time and their money without thought of pay or reward. I have never heard of, or read of, a better example of pure patriotism than that demonstrated by the men, both old and young, of the Philippine National Volunteers. Nor have I ever worked with a more earnest, determined, eager group of men.

I certainly should know because of the fact that from October 11, 1939, when I attained the grade of brigadier general and was detailed as deputy chief of staff, I practically carried the organization on as acting chief of staff. The chief of staff at that time was Francisco Delgado (formerly Commissioner to the United States), who was up to his ears in other important work. He and Lacanico (late Gen. Panfilo Lacaniço, national commander), whom I came to know and have a real affection for, always backed me to the limit and their support and counsel was valuable and was reward enough. There was no other compensation of any kind.

Many, many of the volunteers joined the Philippine Army. They did so on our advice and went with our blessing. We felt that we had accomplished a great deal in partially preparing them for their duties in what was to become a great army, fighting against tremendous odds. Here again we indulged in no publicity and consequently received no public credit, but the fact remains that the ranks—both commissioned and enlisted—of USAFFE contained a very large number of volunteers. I have heard of none who did not serve with credit and many shed their blood on now historic battlefields.

With Pearl Harbor and the bombing of the Philippines, the transition from peace to war was stunning in its completeness, ruthlessness, and speed. Means of communication were seized by the military, or broke down, or were seized by the enemy. It was impossible for our headquarters to contact our provincial units or to issue orders. We did attempt to use couriers and succeeded in getting word to some of our commands, advising them to go out as guerrillas or join other bands or the underground. Those who by reason of age or physical condition were unable to take the field became underground agents engaged in collecting information as to the enemy, his strength and movements. Others engaged in sabotage or other resistant activities. Some became guides for Japanese troops and deliberately misguided them. The stories of their adventures, sufferings, lamentable deaths, and achievements are in their entirety a veritable fantasy, an odyssey of gallant Filipino war effort.

At 2 o'clock on the morning of December 8 Tony Escoda, then assistant city editor of the Bulletin, called my house at Santa Mesa and told me of the bombing of Pearl Harbor. I immediately went to our headquarters at the corner of Rizal Avenue and Camarines and notified the national commander. Then I called my two aides, and other officers, and started them out to notify the three regimental commanders in Manila.

Before 9 we were told that we could best serve by training as many men as possible for duty as auxiliary police to serve with the Manila police. This we did, and in 2 weeks had delivered to the chief of police, Manila, 1,400 men. Others of our Manila men had joined various local watch groups, while still others joined up with civilian guards at the perimeter of the town. Every man, woman, child, automobile, truck, carratela, and oxcart was stopped, scrutinized, and searched as they attempted to either enter or leave the town. Several Japs in civilian clothes, ahead of their Army, were in that way apprehended. This work, particularly at night, was increased by the fact that hundreds of cars and other forms of transportation were constantly arriving laden with refugees and their effects. Many of them reported having left their towns as the Japs entered them. They were seeking a safe haven. Manila would not be taken! We all thought that then. All of this during very, very strict black-outs, and in an atmosphere of panicky hush. I even found myself once whispering as a Jap plane roared overhead for fear that the pilot would see and machine gun me. That's the way it was.

On the 23d (December 1941), I think it was, I decided to go to Bulacan. The Japs were relentlessly working south from Lingayen and north from Tayabas. MacArthur's men had commenced to trickle from Laguna through the Maraquina Valley to Bataan, the beginning of a famous trek and a masterpiece of strategy.

We hiked and hitched our way to Balinag and then turned west and went to Hagonay. Here we found many willing workers, civilians all. I might say that Hagonay, although a large town, is in the middle of the swamps on the northern boundary of Manila Bay, and is traversed by a myriad of water passages. The people know there watery trails and use them habitually in traveling. To our surprise, these people had plenty of arms and ammunition but no leadership. They even had .30 caliber machine guns which no one knew how to use. We remedied that, organized them into bands and placed them along the waterways most likely to be used by the Japs. Many of them later died in the Hagonay swamps, but then, they were happy, enthusiastic, and raring to go. The news of the relentless approach of the Japs left them undaunted. The best-disciplined bands were those led by strict men who were able to back up their orders by physical force. Moral suasion did little toward controlling men who were hysterically trigger happy. At night the silence was frequently broken by the stacatto sound of machine guns and the ping of single shots.

A man from Manila told me that it was feared there that our families would be tortured by the Japs in an attempt to locate us so I decided to go back to Manila and take them to a place of safety before the Nips arrived. My wife and son were there. Paddled and hiked to a town called Hermosa on the Bataan-Pampanga border and at 11:55 on the night of December 31, caught an Army sedan manned by two Army civilian traffic inspectors. The traffic was terrific, some coming, some going, confusion, profanity, reason, unreason, all making kaliedescopic impressions, hard, now, to sort out. They were blowing up the bridges behind us and I remember we were the last car over on one. Had we been later, our run for that night would have ended. The demolition lieutenant, said "If you so and sos want to get to Manila tonight, get the hell over that bridge before we shoot her." He was tired I guess. Anyway, we reached home about 3 a. m. At 6 I moved my wife and boy to what I thought was a safer place. On the following morning the Jap Army rolled in. Those that I saw then, from behind a hedge, moved in an orderly, disciplined way. Truck after truck of them sitting at attention occasionally smiling at some children beside the road. We later learned that this was a particularly crack division. Some of the other columns in other parts of the town did not behave so well. In fact, orgies of lust, drinking, and thievery started immediately.

General Certeaz (national commander) and some of the officers at our headquarters removed all of the records, the seal, and the flags and divided them. Each was to secrete his quota. Some, we have never recovered

since those who had them either died or were killed and took the secret of their location with them.

A group of us wanted to get to Bataan. From there I intended to go back to the swamps but we could not get out of the city. It was dangerous for Americans to go around the city and doubly so to be around at night. The Japs had us bottled in tight. Every time we tried we bumped up against Jap outposts or sentries. Fortunately we always saw them in time to prevent them seeing us. They would have bayonetted, shot, or brutally beaten us.

On the morning of January 7, 1942, my son and I were arrested and taken to Santo Tomas camp. Stayed there until December 5, 1944 when we were transferred in cattle cars to Los Banos. The trip up the mountain from the station to the camp was almost another death march. I later saw the officer who conducted it, killed. Released by combined parachute, amphibious tank, and guerrilla action on February 23, 1945. The day on which the Japs had planned to kill the entire 2,200 of us. I have written an article on the rescue for Fred Steven's book. Called it A Military Epic.

During the entire 3 years in prison camp had frequent clandestine contact with guerrillas and on three occasions went over the fence at night for conferences with guerrillas, returning before daybreak. It was dangerous but exhilerating. After the Japs executed three of our number for going over the fence and promised to kill the men in the beds on either side of the beds of men missing, we discontinued the practice.

The story of our imprisonment is long. I will give you the high lights when I see you.

After we were liberated, Certega, others and I attempted to gather up the reins but there was still fighting in the land and no communications. It was a little too early.

Of one thing I am very proud, I know of no volunteer who joined the bleating mob clamoring for pay for having helped. After the Americans came in, thousands came out as guerrillas who were not and never had been. They, I feel, were the most clamorous of the lot.

Hundreds of volunteers visited me between the date of liberation and the time of my leaving. Most of them had been and still were members of various guerrilla units. They all want the N. V. to continue and believe that it can be a great force for good in helping clean up banditry and in teaching the people "respect for constituted authority and obedience to the laws". The organization fought, not under its own banners, but as members of the nearest local units available, as members of U. S. A. F. F. E., as members of the active underground and as resistance advocates. Many of them were tortured and killed. In my own case, the Japs were looking for me. I was known to them as a general officer serving with the N. V. They called on many Filipinos for information as to my whereabouts, and in one or two cases, had some of our N. V. officers on the carpet about it. The story was that I had been at Bataan and there had been killed. This satisfied the Japs. Meanwhile I was in their custody and registered at Santo Tomas. Nothing unusual since we found there to be little cooperation or coordination between certain units of the Jap army.

W. H. Donald, adviser to Chiang Kai-shek, and to every Chinese leader back to and including Sun Yat Sen, was in camp under his own name. The Japs had big sums offered for his capture dead or alive. Yet they never checked at Santo Tomas to see if they had him there.

My own plans have not yet crystalized. Lost 105 pounds in the camp and came out with several things the matter as a direct result of the starvation there, beri-beri, sinus, bronchitis as a result of working out in the rain, hernia—result of doing work to which unsuited, teeth gone—result of malnutrition. Am very much better though. Have had no assistance or hospitalization by the Government. Not the Government's fault, though, since I have not applied. I understand now that money has been appropriated for our relief.

This morning I talked with Mullen of the American President Line who arrived from the Philippine Islands yesterday. He confirms what others have written me, that life is very rugged. Prices very high and food difficult and scarce. No clothing procurable yet. He says that a lot of things are very screwy and gives this as an example: The other day the Army with no notice to anyone, dumped a large quantity of potatoes on the market—so many that they sold for 100 potatoes for 40 centavos (20 cents gold). Two days later potatoes were $20 per sack. He says that merchants complain that the Army dumps in enormous quantities with no previous advice and that, as a result, the market is so widely disturbed as to cause confusion; and scrambling on the part of those who buy and then resell on the black market. I only repeat what he says here but I can tell you some interesting stories when I get there.

Very sincerely,

H. W. Lombard,
Brigadier General, Philippine National Volunteers.

P. S.—By the way, on one of my trips over the wall, one of our National Volunteer lieutenant colonels, Julio Yap, told me very elatedly that he had heard a broadcast from you and that others had also. It pleased them immensely and helped them maintain high morale. We were not permitted radios in camp.

Mr. HILL. Mr. Chairman, I ask unanimous consent to revise and extend the remarks I made in Committee of the Whole.

The CHAIRMAN. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. McDONOUGH. Mr. Chairman, I move to strike out the last word.

(Mr. McDONOUGH asked and was given permission to revise and extend his remarks.)

Mr. McDONOUGH. Mr. Chairman, the present bill, H. R. 5856, will provide a basis for rehabilitating the agriculture and industries of the Philippine Islands and will help effectively in reestablishing the economic life of the brave and loyal people of the Philippines, which was shattered and destroyed by the war in the Pacific and the ruthless and wanton destruction by the Japs during the invasion of the Islands. I submit herewith a critical analysis of H. R. 5856, by Mr. Vincente Villamin, Filipino lawyer and economist, who is thoroughly familiar with trade conditions between the United States and the Philippine Islands. Here is what Mr. Villamin says:

The substance of the final draft of the bill (H. R. 5856) is an improvement on the first draft (H. R. 4185), although, it must be frankly said, that the wording is bewildering. It is to be hoped that the bill's administration and interpretation will be liberal to the Philippines.

In speeches to the Ways and Means Committee, I criticized H. R. 4185 and it is noted that most of my criticisms have apparently been heeded by changed provisions in the present bill. It is the added provisions that I am criticizing now.

1. I objected to section 15 of the original bill because, among other things inimical to the Philippines, it would deprive the Philippine government completely of tariff autonomy. It would render it impossible for that government to negotiate trade agreements with foreign nations, for trade agreements involve the mutual reduction of tariff duties, and the Philippines, under that section, would be prohibited from reducing its tariff schedules. The present bill has eliminated that objectionable provision.

2. I attacked section 10 on the ground that it would tend to establish and legalize monopoly in the industries receiving export quotas to the United States. Under that section, it is possible for one firm to acquire the entire quota given the Philippines, for if the firms are unable to deliver their allotments under the quota, such allotments would be turned over to the firm that is in a position to do so. I contended that in such a case the undeliverable allotments should be offered to the public to give new persons, especially the Filipinos, an opportunity to enter in the industry. The present bill meets the criticism by adding a clause giving the Philippine government the authority to redistribute the unfilled allotments among persons other than the ones already in the industry.

3. The third criticism is very fundamental. I stated that the application of a flat 4 percent or 5 percent of the American tariff duty on all Philippine products entering the United States was unscientific and would work a positive injustice to the industries involved. I explained that the rates of duty on different products were not uniform—some are high, others low—and so while a product could stand the duty for 5 to 10 years, another product would go under in much shorter time. A good example is the cigar industry, which employed 15,000 people in Manila. The 4 percent of the American duty on Manila cigar on the first year will wipe out most of the profits of the manufacturer; and on the second year, under an 8-percent duty, his entire profits and a goodly part of his production costs would vanish completely. The reason, of course, is that the tariff duty on cigars is sky high.

This criticism has been met in the bill with the provision that the four high-duty products—cigars, scrap tobacco, coconut oil, and pearl buttons—will be duty-free during the entire 28 years of the life of the law, but their quotas will decrease gradually every year. This is the better arrangement. If this provision had not been inserted in the present bill those four Philippine industries would be exposed to almost immediate annihilation and no investor could be induced to rehabilitate them.

4. I worked against the provision denaturing coconut oil because it constituted the debasement of quality of a product. The principle of depreciating quality by legislation is one of the worst forms of economic oppression and exploitation. It discourages human skill and penalizes enterprise. The obnoxious precedent must not be established with any Philippine product. The present bill does not contain the denaturing provision. However, the question of coconut oil internal taxation in the United States is yet to be solved equitably.

5. Finally, in memoranda to committee members, I pointed out that if the relevant provisions of the bill were not modified the bill and its incidences would not be effective until 4 years from now, in 1950, when the Philippine constitution could be amended. The present bill recognizes that constitutional fact.

As a private Philippine citizen, I thank the members of the Ways and Means Committee for their patient work and desire to serve the best interests of the Philippine people, and when I return to the Philippines I will do my level best to help make the bill work successfully for the benefit of all concerned.

Mr. ROMULO. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the demonstration yesterday and today of the unanimous support for the Philippine trade bill during the debate on this floor was more than support for a piece of legislation. It was proof—if proof were needed—of the unbroken friendship which the representatives of the American people feel for the Philippines.

It has been urged on this floor that the bill be passed unanimously. It has been pointed out that this is one case at least where there need be no partisanship, because both of the major parties are unequivocally in favor of this legislation. Passage of the bill itself will have a tremendous and beneficial effect in the Philippines. This effect, of course, will not really be felt for some months to come, because it takes a long time before trade legislation can be translated from the books to the reality. But the passage of this bill by a unanimous vote will have an immediate effect in the Philippines and throughout the world. It will bolster the wavering morale of the Filipino people who live today amid the shambles of postwar devastation.

As I have said, this bill is not a perfect piece of legislation. There are many features in it to which we have objected and to which we would still object if there were any point in doing so. At the same time, I suspect that the bill, as it now stands, would not be considered perfect by anyone who had a hand in drafting or who will be benefited by it. The quota system and its allocations, the provision on processing taxes, and other provisions, are not as we would have wished. There will undoubtedly be some disappointments, some criticisms, some objections, voiced against the bill both in the Philippines and in the United States. Nevertheless, the fact remains that this is a worthwhile piece of practical legislation which in the long run will benefit both our peoples.

When you vote for this bill, you will be telling the world that America keeps her promises. At a time when there is too much suspicion rife among the nations of the earth, you will be demonstrating that the greatest force for true world peace and security is the force of friendship, of harmony, of understanding. You will be showing all the peoples of the world that the United States—the most powerful and the wealthiest Nation on the face of the globe—has no desire to abuse its power or to exploit the weak.

To us of the Philippines, passage of the Philippine trade bill marks the dawn of a new era, in which we emerge from the shadow of death and destruction and enter into the unfolding day of opportunity and confidence.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. ROMULO. I yield with pleasure.

Mr. DONDERO. The world will little note nor long remember what we say here today, but it will never forget what your people did in the recent struggle just ended.

Mr. ROMULO. I thank the gentleman.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I ask unanimous consent that all debate on this bill close in not to exceed 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOYLE. Mr. Chairman, I move to strike out the last word and ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

COPRA FROM PHILIPPINES NECESSARY FOR CALIFORNIA DAIRY HERDS

Mr. DOYLE. Mr. Chairman, there is a phase of this bill which is very important to the State of California. I wish to call your attention to its briefly. For instance, I am one of the Members in this Congress from the greatest dairying county in the United States, the county of Los Angeles; and, the great Eighteenth Congressional District that I represent has in Los Angeles County some of the greatest herds in the country as far as the production of milk is concerned. The only mention of the importance of copra in this report is on page 29. In other words, while it has not been treated in the report at much length, yet it is one of the most important of the imports from the Philippines, as far as California is concerned. It is a very major import from the Philippines, so far as cattle feed and other feeds in the State of California are concerned.

Mr. Chairman, I am not going to speak more of the great patriotism of the Filipinos, their love of and loyalty to our country, as demonstrated in this war. It needs no mention by me. Nor shall I refer to our respect and hopes for them, excepting to say that I feel increasingly as a Member of this House that our duty is not only to help them have their fullest freedom as soon as possible, but that there is no security for any people of the world if there is economic insecurity for any mass of people of the world, any place. In other words, I feel that we are now living in a sort of interdependent world neighborhood and that until all the masses of people of the world are secure economically we shall not secure economic freedom which will outlaw war and establish a permanent world peace.

I wish to compliment the committee on this bill.

At this point I am asking your attention to two letters which I am including in my remarks, by request. They read as follows:

COSMOS CLUB,
Washington, D. C., February 18, 1946.

Hon. HARRY D. WHITE,
Assistant Secretary,
Treasury Department,
Washington, D. C.

DEAR MR. WHITE: Understanding that your Department has something to do with section 18 of H. R. 5185, concerning the relation of the Philippine peso to the American dollar, I should like to ask a question which may arise in the future: If the American dollar is again devalued, can the Philippine Government, like the American Government, declare an increment or "profit" for itself?

When the dollar was devalued in 1934 the American Government declared a profit for itself of $2,818,807,826.61, of which $2,029,397,108.56 has been used pursuant to specific appropriations by the Congress and $645,387,965.45 was used in connection with the retirement of national bank notes during the fiscal years from 1935 to 1939, leaving an unexpended balance on July 24, 1945, of $144,022,752.60.

The Philippine Government asked for its profit, and the United States Congress authorized but never appropriated, the payment of approximately $24,000,000. That, at least, recognized the right of the Philippine Government to receive a profit.

Another question arises: Having received no profit from the 1934 dollar devaluation, can the Philippine Government, before or after independence on July 4, 1946, declare and make available, as did the American Government in respect to its profits in 1934, the profit that accrued to itself in 1934?

Anticipating thanks for enlightenment on the above queries, I am

Sincerely yours,

VICENTE VILLAMIN.

TREASURY DEPARTMENT,
Washington, March 12, 1946.

Mr. VICENTE VILLAMIN,
Cosmos Club, Washington, D. C.

DEAR MR. VILLAMIN: This will acknowledge receipt of your letter of February 18 in which you request information concerning certain possible effects of past or hypothetical future devaluation of the United States dollar. Your letter makes reference to an act of the United States Congress approved on June 19, 1934, authorizing and directing the Secretary of the Treasury, when funds therefor are made available, to establish on the books of the Treasury a credit in favor of the Treasury of the Philippine Islands for $23,862,750.78, this being an amount equal to the increase in value (resulting from the reduction of the weight of the gold dollar) of the gold equivalent at the opening of business on January 31, 1934, of the balances maintained at that time in banks in the continental United States by the Government of the Philippine Islands for its gold-standard fund and its treasury certificate fund less the interest received by it on such balances. Funds have not been made available for the purposes of this act, and hence it has not been possible thus far for the Philippine Government to realize this amount.

It is the established policy of the Treasury Department to express no views to private individuals on governmental problems of the type presented by your letter. We regret that under the circumstances we are not in a position to answer the questions you have raised.

Sincerely yours,

HAROLD GLASSER,
Acting Director, Monetary Research.

May I say it is very refreshing to me as a Member of the House, to sit here and listen to the accurate, full, conscientious information that is given the Members of the House by the members of the committee on both sides of the aisle. I feel this is another one of those occasions where the members of this committee, regardless of party affiliation, have tried to fully inform the Members of the House.

To me, it was an inspiration a few minutes ago to listen to General ROMULO, Commissioner from our neighbor, the Philippines. I know he will happily convey to his great peoples, our affectionate regard and best wishes.

The great port city of Long Beach, Calif., anticipates the mutual pleasure and benefits of trade with the Philippine people.

Mr. DOMENGEAUX. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the gentleman from Louisiana?

There was no objection.

Mr. DOMENGEAUX. Mr. Chairman, there is a complete misconception as to the situation in the Philippines today as compared to 1934 when the sugar quota system was first inaugurated by Congress. In 1933, the Secretary of Agriculture had called together representatives from all sugar areas to discuss and formulate plans for the stabilization of the sugar industry. The Filipinos, under the leadership of foreign investors from Spain, Great Britain, New York, and San Francisco, engaged in a wild expansion. The statistical record shows that prior to 1932, the Philippines had never produced a million tons. In 1933, they suddenly jumped to 1,652,593 tons; but in order to do that, they practically denuded the islands of every standing stalk of sugarcane. Every informed person knows that cane is a crop which requires 2 years' growth in the Philippines, and the proof that every standing stalk was sacrificed to build up an extraordinary production record lies in the fact that in 1934, only 754,721 tons were produced in the Philippine Islands.

The quota system was necessary because there was too much sugar available from normal sources. Everybody had to be cut down, and everybody was cut down, including the mainland cane and mainland beet areas. There appeared to be a very drastic cut in the case of the Filipinos, but it was really representative of the previous 5 years' production and amounted to an increase over the previous 10 or 15 years' production. In 1934, the sugar industry of the Philippines was a going concern.

Today, there is no Philippine sugar industry. The prospect of production in the Philippines is practically nil unless the United States Government provides for rehabilitation and finances the operation for many years. As Member of Congress, I think we should do exactly that. But we have other problems, and in my judgment we should be extremely cautious not to allow our sentiments to run away with our judgment. There is legislation pending which would pay war damages to the owners of sugar properties. There is pending, legislation which would rehabilitate these properties and there is pending, legislation which would underwrite the initial operations. This legislation also seeks to create a monopoly largely in favor of foreign investors in the Philippines by giving to exporters in 1940 exclusive rights to the exportation of sugar to the United States. Pending legislation also would require, as a condition of eligibility for the generous payments and loans offered, that the applicants agree to go back into the the same business. Thus, regardless of the economic situation and regardless of business considerations, this legislation, in my opinion, provides much more generously for the foreign investors in the Philippines than it does for the native Filipinos. I am grateful to the Filipinos, and I advocate complete generosity in recognition of their heroic deeds and their loyalty. For those reasons I am concerned whether the native Filipinos are going to get even half of the generosity which Congress is evidently willing to give to the Philippine Commonwealth.

I am glad to see that a quota is placed on rice to the extent they enjoyed during normal years. This is fair for the Philippines and also to the producers of domestic rice of this country. This protective provision was suggested by me some time ago to the gentleman from Louisiana, member of the Ways and Means Committee, and his efforts resulted in the adoption of the provision.

If this provision was not placed in this bill it would have been quite possible for exporters of rice in the Philippines to purchase cheap oriental rice for use in the Philippines and to take rice grown there for export to this country, thereby flooding our domestic markets.

Mr. COOPER. Mr. Chairman, in order to meet the questions raised by certain gentlemen interested in the Puerto Rican situation, especially in view of the fact that the contention was offered that section 225 is included as a part of title II of the bill, and in order that there can be no doubt about the situation, and to meet the question raised, I ask unanimous consent that on page 20, line 16, section 225 be transposed from that point in the bill and inserted following line 16, on page 48, and also change the section number to 513.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose, and the Speaker having resumed the chair, Mr. ZIMMERMAN, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, pursuant to House Resolution 572, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gross.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. McDONOUGH asked and was given permission to revise and extend the remarks he made in Committee of the Whole and include a statement by Mr. Vicente Villamin, Filipino lawyer and economist.

Mr. LUTHER A. JOHNSON asked and was given permission to extend his remarks in the RECORD and include an address delivered by his colleague, the gentleman from Virginia [Mr. ROBERTSON].

Mr. ZIMMERMAN asked and was given permission to extend his remarks in the RECORD and include a letter from General Pershing.

Mr. WASIELEWSKI asked and was given permission to extend his remarks in the RECORD in three instances and include a newspaper article in each.

Mr. DOYLE asked and was given permission to revise and extend the remarks he made in Committee of the Whole and include an exchange of letters to and from the Treasury Department on the subject of the Philippines.

Mr. KEEFE (at the request of Mr. JENKINS) was given permission to revise and extend the remarks he made in Committee of the Whole and include tables and excerpts.

Mr. REED of Illinois (at the request of Mr. MARTIN of Massachusetts) was given permission to extend his remarks in the RECORD.

Mrs. LUCE (at the request of Mr. MARTIN of Massachusetts) was given permission to extend her remarks in the RECORD and include a statement made before the Rules Committee.

Mr. McDONOUGH asked and was given permission to extend his remarks in the RECORD and include two letters; one from the American Legion and one from the veterans' homes in California.

Mr. CARLSON asked and was given permission to revise and extend the remarks he made in Committee of the Whole and include extraneous matter.

Mr. CURTIS asked and was given permission to revise and extend the remarks he made in Committee of the Whole and include certain excerpts.

Mr. WEICHEL asked and was given permission to extend his remarks in the RECORD.

Mr. JOHNSON of Illinois asked and was given permission to extend his remarks in the RECORD and include a survey of the black-market meat situation.

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an article on facts on Rumania, prepared by the counselor at large of the Rumanian Churches of America. I am informed by the Public Printer that this will exceed two pages of the RECORD and will cost $100, but I ask that it be printed notwithstanding that fact.

The SPEAKER. Without objection, notwithstanding the cost, the extension may be made.

There was no objection.

[The matter referred to appears in the Appendix.]

ADJOURNMENT OVER

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

79TH CONGRESS
2D SESSION

H. R. 5856

IN THE SENATE OF THE UNITED STATES

APRIL 1 (legislative day, MARCH 5), 1946

Read twice and referred to the Committee on Finance

AN ACT

To provide for trade relations between the United States and the Philippines, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE AND DEFINITIONS

SECTION 1. SHORT TITLE.

This Act may be cited as the "Philippine Trade Act of 1946".

SEC. 2. DEFINITIONS.

(a) For the purposes of this Act—

(1) The term "person" includes partnerships, corporations, and associations.

(2) The term "United States", when used in a

geographical sense, means the States, the District of Columbia, the Territories of Alaska and Hawaii, and Puerto Rico.

(3) The term "ordinary customs duty" means a customs duty based on the article as such (whether or not such duty is also based in any manner on the use, value, or method of production of the article, or on the amount of like articles imported, or on any other factor); but does not include—

(A) a customs duty based on an act or omission of any person with respect to the importation of the article, or of the country from which the article is exported, or from which it comes; or

(B) a countervailing duty imposed to offset a subsidy, bounty, or grant; or

(C) an anti-dumping duty imposed to offset the selling of merchandise for exportation at a price less than the prevailing price in the country of export; or

(D) any tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws; or

(E) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; or the tax imposed by section 3500 of the Internal Revenue Code.

(4) The term "Philippine article" means an article which is the product of the Philippines, unless, in the case of an article produced with the use of materials imported into the Philippines from any foreign country (except the United States) the aggregate value of such imported materials at the time of importation into the Philippines was more than twenty per centum of the value of the article imported into the United States, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the United States in effect at the time of importation of such article. As used in this paragraph the term "value", when used in reference to a material imported into the Philippines, includes the value of the material ascertained under the customs laws of the Philippines in effect at the time of importation into the Philippines,

and, if not included in such value, the cost of bringing the material to the Philippines, but does not include the cost of landing it at the port of importation, or customs duties collected in the Philippines. For the purposes of this paragraph any imported material, used in the production of an article in the Philippines, shall be considered as having been used in the production of an article subsequently produced in the Philippines, which is the product of a chain of production in the Philippines in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(5) The term "United States article" means an article which is the product of the United States, unless, in the case of an article produced with the use of materials imported into the United States from any foreign country (except the Philippines) the aggregate value of such imported materials at the time of importation into the United States was more than twenty per centum of the value of the article imported into the Philippines, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the Philippines in effect at the time of importation of such article. As used in this paragraph

the term "value", when used in reference to a material imported into the United States, includes the value of the material ascertained under the customs laws of the United States in effect at the time of importation into the United States, and, if not included in such value, the cost of bringing the material to the United States, but does not include the cost of landing it at the port of importation, or customs duties collected in the United States. For the purposes of this paragraph any imported material, used in the production of an article in the United States, shall be considered as having been used in the production of an article subsequently produced in the United States, which is the product of a chain of production in the United States in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(6) The term "United States duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the United States for consumption, of the Philippine article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest

rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(7) The term "Philippine duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the Philippines for consumption, of the United States article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(8) The term "internal tax" includes an internal fee, charge, or exaction, and includes—

(A) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; and the tax imposed by section 3500 of the Internal Revenue Code; and

(B) any other tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains

a provision to the effect that it shall be treated as a duty imposed under the customs laws.

(b) For the purposes of sections 221 (b) and 321 (b), any material, used in the production of an article, shall be considered as having been used in the production of an article subsequently produced, which is the product of a chain of production in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(c) For the purposes of paragraphs (6) and (7) of subsection (a) of this section—

(1) if an article is entitled to be imported from a foreign country free of ordinary customs duty, that country shall be considered as the country entitled to the lowest rate of ordinary customs duty with respect to such article; and

(2) a reduction in ordinary customs duty granted any country, by law, treaty, trade agreement, or otherwise, with respect to any article, shall be converted into the equivalent reduction in the rate of ordinary customs duty otherwise applicable to such article.

(d) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to

exclude other things otherwise within the meaning of the term defined.

TITLE II—LAWS AND PROPOSED OBLIGATIONS OF UNITED STATES

Part 1—Customs Duties

SEC. 201. FREE ENTRY OF PHILIPPINE ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, Philippine articles entered, or withdrawn from warehouse, in the United States for consumption shall be admitted into the United States free of ordinary customs duty.

SEC. 202. ORDINARY CUSTOMS DUTIES ON PHILIPPINE ARTICLES.

(a) JULY 4, 1954–JULY 3, 1974.—The ordinary customs duty to be collected on Philippine articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined by applying the following percentages of the United States duty:

(1) JULY 4, TO DECEMBER 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) CALENDAR YEAR 1955.—During the calendar year 1955, 10 per centum.

(3) CALENDAR YEARS 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the United States duty.

(4) PERCENTAGE AFTER 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(5) EXCEPTIONS TO ABOVE RULES.—The provisions of this subsection shall not be applicable to the classes of articles referred to in section 214 (a) of Part 2 of this title (relating to quotas).

(b) PERIOD AFTER JULY 3, 1974.—The ordinary customs duty to be collected on Philippine articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined without regard to the provisions of subsection (a) of this section or of section 214.

SEC. 203. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on Philippine articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 201 and 202 (a), but shall be subject to the provisions of section 204.

SEC. 204. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to Philippine articles imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 205. EQUALITY IN DUTIES ON PRODUCTS OF PHILIPPINES.

(a) With respect to products of the Philippines, which do not come within the definition of Philippine articles, imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country (except Cuba), or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country (except Cuba).

(b) As used in this section the term "duty" includes

taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 2—Quotas

SEC. 211. ABSOLUTE QUOTA ON SUGARS.

(a) DEFINITION OF PHILIPPINE SUGARS.—For the purpose of this section, an article shall not be considered "Philippine sugars" unless it is a Philippine article.

(b) DEFINITION OF REFINED SUGARS.—As used in this section the term "refined sugars" has the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine sugars which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 850,000 short tons, of which not to exceed 50,000 short tons may be refined sugars; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 425,000 short tons, of which not to exceed 25,000 short tons may be refined sugars.

(d) ALLOCATION OF QUOTAS FOR UNREFINED SUGARS.—The quota for unrefined sugars, including that required to manufacture the refined sugars, established by this section, shall be allocated annually to the sugar-producing

mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932, and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them, or any extension, modification, or renewal thereof.

(e) Allocation of Quotas for Refined Sugars.—The quota for refined sugars established by this section shall be allocated annually to the manufacturers of refined sugars in the Philippines in the calendar year 1940 whose refined sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of refined sugars produced by each such manufacturer (or in the case of such successor in interest, the amount of refined sugars produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 212. ABSOLUTE QUOTA ON CORDAGE.

(a) DEFINITION OF "CORDAGE".—As used in this section the term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930, as amended), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber.

(b) DEFINITION OF "PHILIPPINE CORDAGE".—For the purpose of this section, an article shall not be considered "Philippine cordage" unless it is a product of the Philippines.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine cordage which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 6,000,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 3,000,000 pounds.

(d) ALLOCATION OF QUOTAS.—The quota for cordage established by this section shall be allocated annually to the manufacturers of cordage in the Philippines in the calendar year 1940 whose cordage was exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of cordage

produced by each such manufacturer (or in the case of such successor in interest, the amount of the cordage produced by his predecessor in interest) which was exported to the United States during the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines.

SEC. 213. ABSOLUTE QUOTA ON RICE.

(a) DEFINITION OF RICE.—As used in this section the term "rice" includes rice meal, flour, polish, and bran.

(b) DEFINITION OF PHILIPPINE RICE.—For the purposes of this section, an article shall not be considered "Philippine rice" unless it is a Philippine article.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine rice which, in any calendar year may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 1,040,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 520,000 pounds.

SEC. 214. ABSOLUTE AND DUTY-FREE QUOTAS ON CERTAIN ARTICLES.

(a) ABSOLUTE QUOTAS.—

AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of the following articles which

are Philippine articles, and which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed the amounts specified as to each:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), two hundred million cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, six million five hundred thousand pounds;

(3) Coconut oil, two hundred thousand long tons; and

(4) Buttons of pearl or shell, eight hundred and fifty thousand gross.

During the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed one-half of the amount above specified with respect to each class of articles, respectively.

(b) Duty-Free Quotas.—

(1) In general.—Philippine articles falling within one of the classes specified in subsection (a) of this section, which during the period from January 1, 1946, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for

consumption, shall be free of ordinary customs duty, in the quantities and for the periods set forth in the following table:

PERIODS [Calendar Year]	AMOUNT OF DUTY-FREE QUOTAS			
	Cigars Referred to in subsection (a) (1) [Number]	Tobacco Referred to in subsection (a) (2) [Pounds]	Coconut Oil [Long Tons]	Buttons of Pearl or Shell [Gross]
Each of Calendar Years 1946–1954	200, 000, 000	6, 500, 000	200, 000	850, 000
1955	190, 000, 000	6, 175, 000	190, 000	807, 500
1956	180, 000, 000	5, 850, 000	180, 000	765, 000
1957	170, 000, 000	5, 525, 000	170, 000	722, 500
1958	160, 000, 000	5, 200, 000	160, 000	680, 000
1959	150, 000, 000	4, 875, 000	150, 000	637, 500
1960	140, 000, 000	4, 550, 000	140, 000	595, 000
1961	130, 000, 000	4, 225, 000	130, 000	552, 500
1962	120, 000, 000	3, 900, 000	120, 000	510, 000
1963	110, 000, 000	3, 575, 000	110, 000	467, 500
1964	100, 000, 000	3, 250, 000	100, 000	425, 000
1965	90, 000, 000	2, 925, 000	90, 000	382, 500
1966	80, 000, 000	2, 600, 000	80, 000	340, 000
1967	70, 000, 000	2, 275, 000	70, 000	297, 500
1968	60, 000, 000	1, 950, 000	60, 000	255, 000
1969	50, 000, 000	1, 625, 000	50, 000	212, 500
1970	40, 000, 000	1, 300, 000	40, 000	170, 000
1971	30, 000, 000	975, 000	30, 000	127, 500
1972	20, 000, 000	650, 000	20, 000	85, 000
1973	10, 000, 000	325, 000	10, 000	42, 500
1974	0	0	0	0

(2) Duty on imports in excess of duty-free quota.—Any such Philippine article so entered or withdrawn from warehouse in excess of the duty-free quota provided in paragraph (1) shall be subject to 100 per centum of the United States duty, despite the provisions of section 202 of this title (which provides rates of less

than 100 per centum of the United States duty with respect to Philippine articles). Nothing in this subsection shall be construed as enlarging the absolute quotas provided in subsection (a) of this section.

(c) ALLOCATION OF QUOTAS.—Each of the quotas established by this section shall be allocated annually to the manufacturers in the Philippines in the calendar year 1940 of products of a class for which such quota is established, and whose products of such class were exported to the United States during such year, or their successors in interest, proportionately on the basis of the amount of the products of such class produced by each such manufacturer (or in the case of such successor in interest, the amount of the products of such class produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 215. LAWS PUTTING INTO EFFECT ALLOCATIONS OF QUOTAS.

The necessary laws and regulations for putting into effect the allocation of quotas on the basis provided for in sections 211, 212, and 214, respectively, shall not be enacted by the United States, it being the purpose of this title that such laws and regulations shall be enacted by the Philippines.

SEC. 216. TRANSFERS AND ASSIGNMENTS OF QUOTA ALLOTMENTS.

The holder of any allotment under existing law, including his successor in interest, and the holder of any allotment under any of the quotas established by sections 211, 212, or 214, may transfer or assign all or any amount of such allotment on such terms as may be agreeable to the parties in interest. If, after the first nine months of any calendar year, the holder of any allotment, for that year, under any of the quotas established by such sections, is or will be unable for any reason to export to the United States all of his allotment, in time to fulfill the quota for that year, that amount of such allotment which it is established by sufficient evidence cannot be so exported during the remainder of the calendar year may be apportioned by the Philippine Government to other holders of allotments under the same quota, or in such other manner as will insure the fulfillment of the quota for that year: *Provided,* That no transfer or assignment or reallocation under the provisions of this section shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

Part 3—Internal Taxes

SEC. 221. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the Philippines coming into the United States, or with respect

to articles manufactured in the United States wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the United States, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the United States, or (2) with respect to materials used in the production of a like article which is the product of the United States, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the Philippines is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

(c) This section shall not apply to the taxes imposed

under section 2306, 2327, or 2356 of the Internal Revenue Code.

SEC. 222. EXEMPTION FROM TAX OF MANILA FIBER.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 223. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the United States on articles exported to the Philippines.

SEC. 224. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to articles coming into the United States for the official use of the Philippine Government or any department or agency thereof.

Part 4—Immigration

SEC. 231. CERTAIN PHILIPPINE CITIZENS GRANTED NON-QUOTA STATUS.

(a) Any citizen of the Philippines who actually resided in the United States for a continuous period of three years during the period of forty-two months ending November 30, 1941, if entering the United States during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the United States, shall, for the purposes of the

immigration laws, be considered a non-quota immigrant; and shall not be excluded from entry into the United States by reason of section 13 (c) of the Immigration Act of 1924, or by reason of so much of section 3 of the Immigration Act of 1917 as provides for the exclusion from admission into the United States of natives of a therein specified geographical area.

(b) After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the United States for permanent residence.

(c) The benefits of this section shall also apply to his wife, if a citizen of the Philippines or eligible to United States citizenship, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

(d) This section shall not apply to a citizen of the Philippines admitted to the Territory of Hawaii, without an immigration or passport visa, under the provisions of paragraph (1) of section 8 (a) of the Act of March 24, 1934 (48 Stat. 456, ch. 84).

TITLE III—OBLIGATIONS OF PHILIPPINES

Part 1—Purposes of Title

SEC. 301. STATEMENT OF PURPOSES OF TITLE.

(a) PERIOD UNTIL JULY 4, 1946.—The following

Parts and sections of this title, insofar as they are applicable to the period from the date of the enactment of this Act to July 3, 1946, both dates inclusive, are intended to, and shall, operate as statutes of the United States, binding on one of its possessions.

(b) PERIOD JULY 4, 1946–JULY 3, 1974.—The following Parts and sections of this title, although expressed in statutory form, are not in any manner intended, insofar as they are applicable to the period after July 3, 1946, as an attempt on the part of the Congress of the United States to legislate for the Republic of the Philippines as a sovereign nation, but constitute a statement in precise terms of provisions—

(1) which the Government of the Philippines, on the taking effect of the executive agreement provided for in Title IV of this Act, will be obligated to observe and execute as the law of the Republic of the Philippines during the effectiveness of the agreement; except that the observance of such part of the provisions of section 341 as is in conflict with the Constitution of the Philippines will not be required under such agreement for the period prior to the amendment to the constitution referred to in section 402 (b); and

(2) which, between the proclamation of the independence of the Philippines and the date of the taking

effect of such executive agreement, will, according to the policy and expectations of the Congress of the United States, be observed and executed by the Government of the Philippines.

Part 2—Customs Duties

SEC. 311. FREE ENTRY OF UNITED STATES ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, United States articles entered, or withdrawn from warehouse, in the Philippines for consumption shall be admitted into the Philippines free of ordinary customs duty.

SEC. 312. ORDINARY CUSTOMS DUTIES ON UNITED STATES ARTICLES.

(a) JULY 4, 1954–JULY 3, 1974.—The ordinary customs duty to be collected on United States articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined by applying the following percentages of the Philippine duty:

(1) JULY 4, TO DECEMBER 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) CALENDAR YEAR 1955.—During the calendar year 1955, 10 per centum.

(3) CALENDAR YEARS 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the Philippine duty.

(4) PERCENTAGE AFTER 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(b) PERIOD AFTER JULY 3, 1974.—The ordinary customs duty to be collected on United States articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined without regard to the provisions of subsection (a) of this section.

SEC. 313. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on United States articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 311 and 312 (a), but shall be subject to the provisions of section 314.

SEC. 314. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to United States articles imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid

in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 315. EQUALITY IN DUTIES ON PRODUCTS OF UNITED STATES.

(a) With respect to products of the United States, which do not come within the definition of United States articles, imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 3—Internal Taxes

SEC. 321. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the United States coming into the Philippines, or with respect

to articles manufactured in the Philippines wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the Philippines, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the Philippines, or (2) with respect to materials used in the production of a like article which is the product of the Philippines, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the United States is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

SEC. 322. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the Philippines on articles exported to the United States.

SEC. 323. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the Philippines with respect to articles coming into the Philippines for the official use of the United States Government or any department or agency thereof.

Part 4—Immigration

SEC. 331. CERTAIN UNITED STATES CITIZENS GIVEN NON-QUOTA STATUS.

Any citizen of the United States who actually resided in the Philippines for a continuous period of three years during the period of forty-two months ending November 30, 1941, if entering the Philippines during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the Philippines, shall, for the purposes of the immigration laws, be considered a non-quota immigrant. After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the Philippines for permanent residence. The benefits of this section shall also

apply to his wife, if a citizen of the United States, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

SEC. 332. IMMIGRATION OF UNITED STATES CITIZENS INTO THE PHILIPPINES.

Citizens of the United States, admissible to the Philippines under the provisions required by section 402 (e) to be included as a part of the executive agreement made under Title IV, shall be entitled to enter the Philippines, in the numbers and during the periods of years, and to remain therein for the time, specified in that part of the agreement which embodies the provisions of section 402 (e).

Part 5—Miscellaneous

SEC. 341. RIGHTS OF UNITED STATES CITIZENS AND BUSINESS ENTERPRISES IN NATURAL RESOURCES

The disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities, shall, if open to any person, be open to citizens of the United States and to all forms of business

enterprise owned or controlled, directly or indirectly, by United States citizens.

SEC. 342. CURRENCY STABILIZATION.

The value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 343. ALLOCATION OF QUOTAS.

The allocation, reallocation, transfer, and assignment of quotas established by sections 211, 212, and 214, respectively, of Part 2 of Title II, shall be on the basis provided for in such Part.

TITLE IV—EXECUTIVE AGREEMENT BETWEEN UNITED STATES AND PHILIPPINES

SEC. 401. AUTHORIZATION OF AGREEMENT.

The President of the United States is authorized (except as hereinafter in this title otherwise provided) to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of the provisions of Title II and of Title III (except Part 1) of this Act. The President of the United States is not authorized by this section to enter into such agreement unless it contains a provision that it shall not take effect—

(a) Unless and until the Congress of the Philippines accepts it by law; and

(b) Unless and until the Congress of the Philippines (in the act of acceptance, or separately) has enacted such legislation as may be necessary to make all the provisions of Parts 2, 3, 4, and 5 of Title III take effect as laws of the Philippines, except (during the period prior to the amendment to the Constitution of the Philippines referred to in subsection (b) of section 402) such provisions of section 341 as are in conflict with such constitution.

SEC. 402. OBLIGATIONS OF PHILIPPINES.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in the agreement the Government of the Philippines agrees—

(a) That the Republic of the Philippines will continue in effect as laws of the Philippines, during the effectiveness of the agreement, the provisions of Parts 2, 3, 4, and 5 of Title III, except (for the period prior to the amendment of the Constitution of the Philippines referred to in subsection (b) of this section) such part of the provisions of section 341 as is in conflict with such constitution.

(b) That the Government of the Philippines will promptly take such steps as are necessary to secure the amendment of the Constitution of the Philippines so as to permit the taking effect as laws of the Philippines of such

part of the provisions of section 341 as is in conflict with such constitution before such amendment.

(c) That the Republic of the Philippines will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary—

(1) to supplement the legislation referred to in section 401 (b), and to implement the provisions of Parts 2, 3, 4, and 5 of Title III; and

(2) to put and keep in effect during the effectiveness of the agreement, the allocation, reallocation, transfer, and assignment of quotas on the basis provided for in Part 2 of Title II.

(d) That the United States shall have the right to provide the basis for the allocation of the quotas established under that portion of the agreement which sets forth the provisions of section 403 (c) of this Act, and that, if the United States exercises such right, the Republic of the Philippines will promptly enact, and keep in force during the period for which each such quota is established, such legislation as is necessary to put and keep in effect, on the basis provided by the United States, the allocation of such quotas.

(e) That there shall be permitted to enter the Philippines, without regard to any numerical limitations under the laws of the Philippines, in each of the years of a speci-

fied period of years, of a specified number of citizens of the United States. The number of years (which shall not be less than five) the number of citizens of the United States (which shall not be less than one thousand) entitled to be so admitted in each year, and the length of time each shall be entitled to remain in the Philippines, shall be stated in the agreement.

(f) That the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 403. OBLIGATIONS OF UNITED STATES.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in such agreement the Government of the United States agrees—

(a) That upon the taking effect of the agreement the provisions of Title II—

(1) if in effect as laws of the United States at the time the agreement takes effect, shall continue in effect as laws of the United States during the effectiveness of the agreement; or

(2) if not so in effect at the time the agreement takes effect (because suspended under section 502 of

Title V) shall take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

(b) That the United States will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary to supplement and implement the provisions of Title II so continued in effect, or so made to take effect, as laws of the United States.

(c) That with respect to quotas on Philippine articles (other than the quotas established in Part 2 of Title II, and other than quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles), the United States will not establish any such quota for any period before January 1, 1948; and that, for any part of the period from January 1, 1948, to July 3, 1974, both dates inclusive, it will establish such a quota only if—

(1) the President of the United States, after investigation, finds that such Philippine articles are coming, or are likely to come, into substantial competition with like articles the product of the United States; and

(2) the quota established for any Philippine article for any twelve-month period is not less than the amount determined by the President as the total amount of Philippine articles of such class which (during the twelve

months ended on the last day of the month preceding the month in which occurs the date proclaimed by the President as the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption; or, if the quota is established for any period other than a twelve-month period, is not less than a proportionate amount.

(d) That during the effectiveness of the agreement the United States will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue Code (relating to processing taxes on coconut oil, etc.) with respect to articles "wholly the production of the Philippine Islands" or articles "produced wholly from materials the growth or production of the Philippine Islands"; except that it may suspend the provisions of subsection (a) (2) of such section during any period as to which the President of the United States, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States.

SEC. 404. TERMINATION OF AGREEMENT.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides—

(a) TERMINATION IN GENERAL.—That the agreement shall have no effect after July 3, 1974; and

(b) TERMINATION BY EITHER PARTY.—

(1) that the agreement may be terminated by either party at any time, upon not less than five years' notice; and

(2) that if the President of the United States or the President of the Philippines determines and proclaims that the other country has adopted or applied measures or practices which would operate to nullify or impair any right or obligation provided for in such agreement, then the agreement may be terminated upon not less than six months' notice; and

(c) TERMINATION OR SUSPENSION BY THE UNITED STATES.—

(1) that if the President of the United States determines that a reasonable time for the making of the amendment to the Constitution of the Philippines referred to in section 402 (b) has elapsed, but that such amendment has not been made, he shall so proclaim and the executive agreement shall have no effect after the date of such proclamation; and

(2) that if the President of the United States determines and proclaims, after consultation with the

President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, then the United States shall have the right to suspend the effectiveness of the whole or any portion of the agreement; and

(3) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the discrimination which was the basis for the suspension under paragraph (2) of this subsection—

(A) has ceased, the suspension effected under paragraph (2) shall end; or

(B) has not ceased after the lapse of a time determined by the President of the United States to be reasonable, then the United States shall have the right to terminate the agreement upon not less than six months' notice.

SEC. 405. EFFECT OF TERMINATION OF AGREEMENT.

Upon the termination of the agreement as provided in section 404, the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 406. INTERPRETATION OF AGREEMENT.

The President of the United States is not authorized by

section 401 to enter into such executive agreement unless it provides that the acceptance of the provisions of Titles II and III is on the understanding that the definitions, and provisions in the nature of definitions, contained in section 2 of Title I, shall apply in the interpretation of the provisions so accepted.

SEC. 407. TERMINATION OF AUTHORITY TO MAKE AGREEMENT.

Whenever the President of the United States determines that a reasonable time for the entering into, acceptance and taking effect, of the executive agreement has elapsed, but that such agreement has not taken effect, he shall so proclaim, and thereupon his authority to enter into such executive agreement shall terminate, and the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 408. EFFECTIVE DATE OF AGREEMENT.

When the President of the United States determines that the executive agreement entered into under section 401 has been accepted by the Congress of the Philippines by law and that the Congress of the Philippines has enacted the legislation the enactment of which is, under section 401, a condition precedent to the taking effect of the agreement, he shall so proclaim, and in his proclamation specify the effective date of the agreement.

TITLE V—MISCELLANEOUS

SEC. 501. SUSPENSION AND TERMINATION OF AGREEMENT IN CASE OF DISCRIMINATION.

(a) SUSPENSION.—If the President of the United States determines, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, he shall so proclaim, and thereupon the effectiveness of the agreement, or such part thereof as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States, shall be suspended.

(b) TERMINATION OF SUSPENSION.—If the President of the United States, after consultation with the President of the Philippines, determines that the discrimination which was the basis for the suspension under subsection (a) of this section has ceased, he shall so proclaim, and thereupon the suspension effected under subsection (a) shall end.

(c) TERMINATION OF AGREEMENT.—If the President of the United States, after consultation with the President of the Philippines, determines that such discrimination has not ceased, after the lapse of a time determined by him to be reasonable, he shall so proclaim and give to the Philip-

pine Government notice of the intention of the United States to terminate the agreement.

(d) LAWS OF THE UNITED STATES.—

(1) IN CASE OF SUSPENSION.—If the effectiveness of the agreement is suspended under subsection (a) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States during the period of the suspension. If the suspension is of the effectiveness of only part of the agreement, then such provisions of Title II as the President may in his proclamation under subsection (a) specify as necessary adequately to protect the interests of the United States, shall cease to have effect as laws of the United States during the period of this suspension.

(2) IN CASE OF TERMINATION.—If the agreement is terminated under subsection (c) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States.

SEC. 502. SUSPENSION OF TITLE II.

If the President finds that, during the period after July 3, 1946, and before the taking effect of the executive agreement provided for in Title IV, the Government of the Philippines is not putting into effect, or making every effort to put into effect, to the fullest extent possible under its Constitution, the provisions of Title III of this

Act, or is not providing for the allocation of quotas on the basis provided in section 211, 212, or 214, respectively, he shall so proclaim. On the day following the date of such proclamation, such provisions of Title II shall be suspended as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States. Such suspension shall continue until the taking effect of the executive agreement provided for in Title IV, whereupon the suspension shall terminate and the suspended provisions shall again take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

SEC. 503. CUSTOMS DUTIES ON IMPORTATIONS FROM PHILIPPINES.

Articles coming or imported into the United States from the Philippines, and Philippine products coming or imported into the United States, shall, except as otherwise provided with respect to Philippine articles by Title II of this Act during the period such title is in effect—

(1) if entered, or withdrawn from warehouse, in the United States for consumption, during the period from the day after the date of the enactment of this Act to July 3, 1946, both dates inclusive, be subject to the same duties as like articles coming or imported into the United States from foreign countries, except Cuba; and

(2) if so entered or withdrawn during the period after July 3, 1946, be subject to the same duties as like articles coming or imported into the United States from other foreign countries, except Cuba.

SEC. 504. QUOTAS ON PHILIPPINE ARTICLES.

(a) ESTABLISHMENT BY PRESIDENT.—After the executive agreement referred to in Title IV has taken effect, then whenever the President of the United States, after the investigation by the United States Tariff Commission provided for in subsection (d), finds, with respect to any Philippine articles (other than those for which quotas are established by Part 2 of Title II), that they are coming, or likely to come, into substantial competition with like articles which are the product of the United States, he shall so proclaim, and in his proclamation shall establish the total amount of such Philippine articles which may in each of specified periods be entered, or withdrawn from warehouse, in the United States for consumption. If he finds that the allocation of any quota so established is necessary to make the application of the quota just and reasonable between the United States and the Philippines, he shall, in such proclamation or a subsequent proclamation, provide the basis for such allocation.

(b) MAXIMUM AND MINIMUM QUOTAS.—No quota shall be established under subsection (a), with respect to a

Philippine article, which is greater than the smallest amount of such article which in each of such specified periods the President determines may be so entered or withdrawn from warehouse without coming into substantial competition with like articles which are the product of the United States; except that in no case shall the quota be less than the minimum amount provided in that portion of such executive agreement which sets forth the provisions of section 403 (c) (2) of this Act.

(c) Duration of Quotas.—Any quota established pursuant to this section shall become effective at such time as the President shall designate (but not before January 1, 1948), and shall continue in effect until the President, after investigation, finds and proclaims that the conditions which gave rise to the establishment of such quota no longer exist, but no such quota shall continue in effect after the termination of the executive agreement provided for in Title IV.

(d) Investigations by Tariff Commission.—The United States Tariff Commission shall at the request of the President, upon resolution of either House of Congress or concurrent resolution of both Houses of Congress, upon its own motion, or when in its judgment there is good reason therefor, upon application of any interested party, make an investigation to ascertain (1) whether imports of a Philip-

pine article (other than an article for which a quota is established by Part 2 of Title II) are coming, or are likely to come, into substantial competition with like articles which are the product of the United States; (2) what is the greatest amount of such article which may be entered, or withdrawn from warehouse, in the United States for consumption, without coming into substantial competition with like articles which are the product of the United States; and (3) the total amount of such article which (during the twelve months ended on the last day of the month preceding the month in which occurs the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption. During the course of the investigation the Commission shall hold a public hearing, of which reasonable public notice shall be given and at which parties interested shall be afforded reasonable opportunity to be present, to produce evidence, and to be heard. The Commission shall give precedence to such investigations. The Commission shall report the results of its investigations to the President, and shall send copies of such report to each House of the Congress.

SEC. 505. PROCESSING TAX ON COCONUT OIL.

(a) EXEMPTION FOR PHILIPPINES.—Section 2470 (a) (2) of the Internal Revenue Code is amended by strik-

ing out the word "other" wherever it appears in clauses (A) and (B) thereof; and by inserting at the end of the paragraph a new sentence to read as follows: "The tax imposed by this paragraph shall not apply to any domestic processing after July 3, 1974."

(b) SUSPENSION OF SECTION 2470 (a) (2) OF INTERNAL REVENUE CODE.—Whenever the President, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States, he shall so proclaim, and after the date of such proclamation the provisions of section 2470 (a) (2) of the Internal Revenue Code shall be suspended until the expiration of 30 days after he proclaims that, after consultation with the President of the Philippines, he has found that such adequate supplies are so readily available.

SEC. 506. TERMINATION OF PAYMENTS INTO PHILIPPINE TREASURY.

(a) Notwithstanding the provisions of section 4 of the Act of March 8, 1902 (32 Stat. 54, ch. 140), or of section 19 of the Act of March 24, 1934 (48 Stat. 456, ch. 84), as added to such Act by section 6 of the Act of August 7, 1939 (53 Stat. 1232, ch. 502), or of the Act of November 8, 1945 (59 Stat. 577, ch. 454), or of any other provision of law, the proceeds of any duties or taxes, collected subsequent to

July 3, 1946, which but for the enactment of this Act would be required to be paid into the general funds of the Treasury of the Philippines or would be held in separate or special funds and paid into the Treasury of the Philippines, shall be covered into the general fund of the Treasury of the United States.

(b) Sections 2476 and 3343 of the Internal Revenue Code are repealed, effective July 4, 1946.

SEC. 507. SPECIAL EXCISE PROVISIONS RELATING TO THE PHILIPPINES REPEALED.

(a) Section 2800 (a) (4) of the Internal Revenue Code is amended by amending the heading to read:

"(4) Alcoholic Compounds from Puerto Rico and Virgin Islands.—";

and by amending subparagraph (B) to read as follows:

"(B) Virgin Islands.—For provisions relating to tax on alcoholic compounds from the Virgin Islands, see section 3350."

(b) Sections 3340, 3341, and 3342 of the Internal Revenue Code are repealed, effective July 4, 1946.

(c) Subchapter B of Chapter 28 of the Internal Revenue Code is amended as follows:

(1) By amending the heading of such subchapter to read as follows:

"SUBCHAPTER B—PROVISIONS OF SPECIAL APPLICATION TO THE VIRGIN ISLANDS AND PUERTO RICO"

(2) By striking out the heading:

"Part I—Philippine Islands"

(3) By renumbering Parts II and III of such subchapter as "Part I" and "Part II", respectively.

SEC. 508. TRADE AGREEMENTS WITH THE PHILIPPINES.

Until July 4, 1974, no trade agreement shall be made with the Philippines under section 350, as amended, of the Tariff Act of 1930, unless, prior to such time, the President of the United States has made the proclamation provided for in section 407 of this Act, or the executive agreement provided for in Title IV of this Act has been terminated.

SEC. 509. RIGHTS OF THIRD COUNTRIES.

The benefits granted by this Act, and by the executive agreement provided for in Title IV, to the Philippines, Philippine articles or products, and Philippine citizens, shall not, by reason of any provision of any existing treaty or agreement with any third country, be extended to such country or its products, citizens, or subjects.

SEC. 510. ADMINISTRATION OF TITLE II.

(a) The provisions of Parts 1, 2, and 3 of Title II

shall be administered as parts of the customs and internal revenue laws of the United States.

(b) The provisions of Part 4 of Title II shall be administered as a part of the immigration laws of the United States.

SEC. 511. REPEALS.

The following parts of Acts are repealed, effective on the day following the date of the enactment of this Act:

(1) section 301 of the Tariff Act of 1930;

(2) section 6 (except subsection (g)) of the Act of March 24, 1934 (48 Stat. 456, ch. 84), as amended by the Act of August 7, 1939 (53 Stat. 1226, ch. 502); and

(3) so much of section 13 of such Act of March 24, 1934, as amended by the joint resolution of June 29, 1944 (58 Stat. 626, ch. 323), as reads as follows: "After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries:".

SEC. 512. EFFECTIVE DATE.

This Act shall take effect on the day after the date of

its enactment, except Part 2 of Title II, which shall take effect as of January 1, 1946.

SEC. 513. APPLICATION TO PUERTO RICO.

Section 9 of the Act of March 2, 1917 (39 Stat. 951, ch. 145) is amended to read as follows:

"SEC. 9. That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal revenue laws other than those contained in the Philippine Trade Act of 1946: *Provided, however,* That hereafter all taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico."

Passed the House of Representatives, March 29, 1946.

Attest: SOUTH TRIMBLE,

Clerk.

79TH CONGRESS
2D SESSION

H. R. 5856

AN ACT

To provide for trade relations between the United States and the Philippines, and for other purposes.

APRIL 1 (legislative day, MARCH 5), 1946

Read twice and referred to the Committee on Finance

DIGEST OF CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

Issued April 11, 1946
For actions of April 10, 1946
79th-2nd, No. 65

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HIGHLIGHTS: Senate passed Patman housing bill. Senate committee reported Philippine trade bill. Both Houses received proposed legislation from this Department to extend Soil Conservation and Domestic Allotment Act to Virgin Islands. House passed Philippine rehabilitation bill. Rep. Stevenson criticized OPA butter regulations, stating that they "aid the oleo interests to supplant the creamery butter industry". Rep. Clevenger spoke against Federal aid for school lunches.

SENATE

1. PATMAN HOUSING BILL. Passed, 63-14, with amendments this bill, H. R. 4761 (pp. 3465-501). Agreed, 41-33, to an amendment by Sen. Revercomb, W. Va., to strike out the provision for price control on existing housing and land (pp. 3465-74).

2. WAGNER-ELLENDER-TAFT HOUSING BILL. Began debate on this bill, S. 1592 (p. 3501).

3. COFFEE AGREEMENT. Discussed the proposed ratification of the extension of the Inter-American Coffee Agreement (p. 3502).

4. SUGAR AGREEMENT. Discussed the proposed ratification of the International Sugar Agreement (p. 3502).

5. PHILIPPINE TRADE BILL. The Finance Committee reported with amendments H. R. 5856, this bill (S. Rept. 1145)(p. 3464).

6. TRANSPORTATION. The Commerce Committee reported without amendment H. R. 5316, to permit Canadian vessels to transport iron ore between U. S. ports on the Great Lakes in order to make more shipping available for farm products (S. Rept. 1166) (p. 3464).

7. SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT. Both Houses received proposed legislation from this Department to extend this Act to the Virgin Islands. To Senate Agriculture and Forestry and House Agriculture Committees. (pp. 3552, 3462.)

8. PRICE CONTROL. Received from various Kans. dairymen a petition for an increase in milk prices (p. 3463).

9. BUDGET. Received from the N. Dak. Taxpayers Association a petition for balancing of the Budget (p. 3463).

10. RETIREMENT; FARM CREDIT. Received from the Grandell National Farm Loan Association, N. Dak., a petition for inclusion of such Associations' employees under the Civil Service Retirement Act (p. 3463).

11. FARM SECURITY ADMINISTRATION. Received a resolution from the Devils Lake, N. Dak., Chamber of Commerce favoring continuation of this agency (p. 3463).

12. MILK MARKETING. Received a petition from independent dairy operators in the Chicago area opposing the milk-marketing administration there (pp. 3463-4).

HOUSE

13. PHILIPPINE REHABILITATION. Passed with amendments S. 1610, to provide for rehabilitation of the Philippines (pp. 3504-18).

14. STATE, JUSTICE, COMMERCE, JUDICIARY APPROPRIATION BILL. Began debate on this bill, H. R. 6056 (pp. 3518-41).

During the debate Rep. Stefan, Nebr., spoke in favor of the State Department's program of international information and cultural affairs (pp. 3523-4), and Rep. Vorys, Ohio, criticized the program (pp. 3539-41). Rep. Clevenger, Ohio, spoke in opposition to Federal grants to States, mentioning the school lunch program specifically, and inserted a table showing the grants to States for this program (pp. 3535-7).

14. DAIRY INDUSTRY. Rep. Stevenson, Wis., criticized OPA regulations on cream and butter and stated that Government agencies "must not aid the oleo interests to supplant the creamery butter industry in this country" (pp. 3545-9).

15. ELECTRIFICATION. Rep. Savage, Wash., urged an exposure of the "deliberate misrepresentations of facts" by the private power lobbies (pp. 3542-5).

16. RECLAMATION. Rep. Patterson, Calif., called for support of the projects proposed by the Bureau of Reclamation in Calif. (p. 3551).

17. SELECTIVE SERVICE. The Military Affairs Committee reported without amendment, H. R. 6064, to extend the Selective Training and Service Act of 1940 (H.Rept. 1923) (p. 3552).

18. PRICE CONTROL. Received from the N. Y. League of Women Shoppers, a resolution endorsing the continuation of the OPA (p. 3553).

19. SURPLUS PROPERTY; FOREIGN RELIEF. Rep. Stigler, Okla., criticized the allocation of surplus tractors to UNRRA rather than to veterans (p. 3503).

BILLS INTRODUCED

20. CROP INSURANCE. S. 2049, by Sen. Thomas, Okla., to amend the Federal Crop Insurance Act so as to permit the purchase of insured commodities on the futures market, and S. 2050, by Sen. Thomas, Okla., to amend the Federal Crop Insurance Act so as to permit insurance on wheat, cotton, and flax in terms of dollars. To Agriculture and Forestry Committee. (p. 3464.)

21. FORESTRY. S. 2052, by Sen. Briggs, Mo., and H.R. 6075, by Rep. Zimmerman, Mo., to establish a national memorial forest park in Mo. as a memorial to World War II veterans. To Public Lands and Surveys Committees (p. 3464, 3553).

If these boys are not required for some real active duty, then to herd them in camps will mean serious deterioration. Inactive men rot.

I served in World War I. My Tenth Division paraded before you, Senator, with Gen. Leonard Wood at Camp Funston. I know of moral conditions.

Now, my GI friends and chaplains report that moral conditions during this war are much worse. Fathers and mothers bitterly resist loaning their sons to the military to have them subjected to every evil moral influence which predatory evil and indecency can devise.

I trust therefore, my dear Senator, that you will use all of your influence against extending the present draft law, imposing universal military training, or allowing to be fastened unon this Nation the curse of Europe without which, during its history, our Nation has been able to attain its present place of supreme power and leadership.

Respectfully yours,

A. B. MADISON.

INCREASE IN PRICE OF MILK—PETITION

Mr. REED. Mr. President, I ask unanimous consent to present for appropriate reference and to have printed in the RECORD, as a part of my remarks, a petition signed by William A. Miller, and 17 other dairymen of Wellington, Sumner County, Kans., in which they request the Office of Price Administration, a living price be paid to milk producers.

There being no objection, the petition was received, referred to the Committee on Banking and Currency, and ordered to be printed in the RECORD, as follows:

APRIL 5, 1946.

THE REGIONAL DIRECTOR, OFFICE OF PRICE ADMINISTRATION,
Fidelity Building, Dallas, Tex.

DEAR SIR: We, the undersigned, producers of grade-A milk for the city of Wellington, Sumner County, Kans., respectfully petition the Office of Price Administration, for a raise in the prices paid to milk producers.

The present price ceilings are discouraging grade-A milk production because:

1. No price differential between grade-A and grade-C milk (uninspected).
2. Wichita, which is in the same area as Wellington, is paying $3.65 per hundredweight of milk testing 3.8 percent butterfat.
3. Wellington is paying $3.35 per hundredweight of milk testing 4 percent butterfat.

Wellington is our trade center, and the natural market for our production. We prefer to sell to Wellington distributors if the price differential is removed.

In order that we continue producing grade-A milk for the city of Wellington, we request a price change for milk, equal to the Wichita milkshed ($3.65 per hundred).

BALANCING THE BUDGET

Mr. LANGER. Mr. President, I ask unanimous consent to present for appropriate reference and printing in the RECORD a resolution adopted by the board of directors of the North Dakota Taxpayers' Association in which they request a balanced Federal budget.

There being no objection, the resolution was received, referred to the Committee on Finance, and ordered to be printed in the RECORD, as follows:

Whereas we firmly believe that sooner or later the Federal Government must balance its budget and return to a period of pay-as-you-go, or the result will be national bankruptcy and financial chaos; and

Whereas we firmly believe that the time has come when the Federal budget can be balanced and national finances placed on a sound basis; and

Whereas 16 prominent leaders in Congress, both Democrats and Republicans, did, on March 3, issue a statement insisting that the present budget for the period from July 1, 1946, to July 1, 1947, be balanced; Now, therefore, it is

Resolved unanimously by the board of directors of the North Dakota Taxpayers Association, That the action of the 16 congressional leaders receive our heartiest commendation;

That the Senators and Congressmen from North Dakota be urged to join in the movement for a balanced Federal budget;

And that a copy of this resolution be forwarded to North Dakota's two Senators and two Congressmen.

PLACING OF NATIONAL FARM LOAN ASSOCIATION EMPLOYEES UNDER CIVIL-SERVICE RETIREMENT

Mr. LANGER. Mr. President, I ask unanimous consent to present for appropriate reference and to have printed in the RECORD a letter from C. H. Erbele, secretary-treasurer, Grandnel National Farm Loan Association, Larimore, N. Dak., relating to the placing of National Farm Loan Association employees under civil-service retirement.

There being no objection, the letter was received, referred to the Committee on Civil Service, and ordered to be printed in the RECORD, as follows:

GRANDNEL NATIONAL FARM LOAN ASSOCIATION,
Larimore, N. Dak., March 28, 1946.

Hon. WILLIAM LANGER,
Senator, Washington, D. C.

DEAR MR. LANGER: Some time ago I wrote to you regarding putting National Farm Loan Association employees under the Civil Service Retirement Act provisions. Since then you have introduced a bill to do this and I want to thank you for your efforts.

Last week the secretary-treasurers of the Federal land bank, St. Paul district, met in St. Paul. At that meeting we unanimously passed the following resolution:

"Whereas national farm loan associations are an integral part of the Federal Land Bank System, and are wholly and entirely subject to the supervisory authority of the Farm Credit Administration; and

"Whereas by an act of Congress, passed January 24, 1942, the employees of the Federal land banks were covered under the Civil Service Retirement Act (sec. 3 (a)); and

"Whereas employees of national farm loan associations, most of whom have been in the employ of these associations for more than 12 years, are not covered by any system of retirement benefits: Therefore be it.

"*Resolved by all secretary-treasurers of the seventh farm credit district in a conference assembled at St. Paul, Minn., on the 20th day of March 1946*, That we urge the speedy enactment by the Congress of legislation which shall provide for the inclusion of all the employees of national farm loan associations under the same provisions for civil-service retirement benefits as are now accorded to the employees of the Federal land banks; and be it further

"*Resolved*, That a copy of this resolution be forwarded to all United States Senators and Members of Congress from the States of North Dakota, Minnesota, Wisconsin, and Michigan."

We believe that employees of national farm loan associations and production credit associations should have some form of retirement provision and we feel that civil-service retirement would best fit.

Anything that you can do to further this aim will be sincerely appreciated. We know that you are for this and hope that some action will be taken by Congress.

Thank you.

Yours very truly,

C. H. ERBELE,
Secretary-Treasurer.

CONTINUATION OF FARM SECURITY ADMINISTRATION

Mr. LANGER. Mr. President, I ask unanimous consent to present for appropriate reference and to have printed in the RECORD a resolution adopted by the board of directors of the Devils Lake (N. Dak.) Chamber of Commerce, favoring the continuation of the Farm Security Administration.

There being no objection, the resolution was received, referred to the Committee on Agriculture and Forestry, and ordered to be printed in the RECORD, as follows:

Whereas it has come to our attention that allocated funds to the Farm Security Administration are virtually depleted; and

Whereas the board of directors of the Devils Lake Chamber of Commerce believes that the Farm Security Administration has been an important contributing factor toward extending loans to veterans of World War II for the purpose of establishing themselves on farms or farm projects; and

Whereas, if this Administration should become inactive through lack of funds, it would result in creation of a great injustice to those veterans who desire to avail themselves of this service: Now, therefore, be it

Resolved, by the board of directors of the Devils Lake Chamber of Commerce, in regular meeting in Devils Lake, N. Dak., on this 19th day of March 1946, That the Congress of the United States be urged to appropriate necessary funds for the efficient continuation of the Farm Security Administration; be it further

Resolved, That copies of this resolution be sent to all North Dakota Members of the Congress of the United States and to the Chairmen of the Appropriations Committees of the United States Senate and House of Representatives, and that copies be furnished to Walter J. Maddock, State director of the Farm Security Administration, Bismarck, N. Dak., and to the press.

LYLE HARRINGTON,
President.
DONALD J. DONAHUE,
Secretary.

Adopted March 19, 1946.

APPEAL BY INDEPENDENT DAIRY OPERATORS IN CHICAGO (ILL.) MARKETING AREA

Mr. BROOKS. Mr. President, Mr. H. J. Ward, secretary, Chicago Milk Dealers Association, 6607 Greenwood Avenue, Chicago, has handed to me an appeal signed by members of independent dairy operators in the Chicago (Ill.) marketing area. They requested the incorporation of this appeal of independent dairy operators in the CONGRESSIONAL RECORD, and I accordingly submit it for the consideration of the Senate and ask that it be inserted in the RECORD following my remarks.

There being no objection, the appeal was received and ordered to be printed in the RECORD, as follows:

CHICAGO, ILL., *March 12, 1946.*

To the Congressmen of the United States of America.

HONORABLE CONGRESSMEN: As businessmen affected by the rules and regulations of the Office of Price Administration and the Federal Market Administration, we need

your help in securing relief from this oppressive and autocratic governmental imposition.

We, a group of independent dairy operators in the Chicago marketing area, have experienced several years of financially unprofitable industrially unsound and undesirable regulations under the complicated orders of the above-named governmental agencies. Now we are faced with extinction unless relief is granted. Not only have we suffered because of the orders and regulations but also because of the inefficient confusion and arbitrary policies of the above-named agencies. We call your attention to the substantiating fact that 32 dairies, well-established businesses representing the true American principles of individual enterprise, have been unable to continue operations in a vital health product largely because of the oppressiveness of the above-named agencies. The survivo ' carry the heavy burden of the cost of operation of the governmental regulations with no benefit to the individual businessman, to the industry in the area, to the industry as a whole throughout the country or to the general public from a social-welfare viewpoint.

Under the Federal Milk Market Administration in Chicago area, the price of milk has increased; the cost of other supplies, bottles and machinery have also increased. Under another governmental regulation the drivers have been given an increase in wages, also an increase has been granted inside workmen, and another increase is now being asked. Under the Office of Price Administration, the price of milk and its products have been held at a ceiling which makes it impossible to operate (one example, for instance, is butter).

We do not propose to criticize and not to suggest. We believe no milk-market administration is necessary, as this only imposes false economy upon an otherwise healthy industry, well regulated by the laws of supply and demand. However, we believe that if the President deems Federal regulation of milk and its allied products in the Chicago area is essential to fair treatment of the producers, fair regulations or orders simple, reasonable, and sound should be submitted to correct the glaring economic mistakes now existing, and now driving individuals out of their established business. The same suggestion in our mind is applicable to the Office of Price Administration.

We will be pleased to have your assistance in every way possible toward the alleviation of the difficulties we now face.

Sincerely yours.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. ROBERTSON, from the Committee on Commerce:

S. 1834. A bill granting the consent of Congress to the Iowa State Highway Commission to construct and maintain a free bridge across the Des Moines River at the town of Farmington, Iowa; with amendments (Rept. No. 1143).

By Mr WALSH, from the Committee on Finance:

H. R. 5856. A bill to provide for trade relations between the United States and the Philippines, and for other purposes; with amendments (Rept. No. 1145).

By Mr. JOHNSTON of South Carolina, from the Committee on Claims:

H. R. 1235. A bill for the relief of John Bell; without amendment (Rept. No. 1146);

H. R. 1262. A bill for the relief of W. E. Noah; without amendment (Rept. No. 1147);

H. R. 1759. A bill for the relief of Mildred Neiffer; without amendment (Rept. No. 1148);

H. R. 2217. A bill for the relief of Rae Glauber; without amendment (Rept. No. 1149);

H. R. 2331. A bill for the relief of Mrs. Grant Logan; without amendment (Rept. No. 1150);

H. R. 2509. A bill for the relief of the legal guardian of James Irving Martin, a minor; without amendment (Rept. No. 1151); and

H. R. 2682. A bill for the relief of John Doshim; without amendment (Rept. No. 1152).

By Mr. ELLENDER, from the Committee on Claims:

S. 1201. A bill for the relief of Arthur F. Downs; with amendments (Rept. No. 1153);

S. 1742. A bill for the relief of Socony-Vacuum Oil Co.; without amendment (Rept. No. 1154);

H. R. 988. A bill for the relief of Bernice B. Cooper, junior clerk-typist, Weatherford, Tex., Rural Rehabilitation Office, Farm Security Administration, Department of Agriculture; without amendment (Rept. No. 1155);

H. R. 1269. A bill for the relief of Virge McClure; without amendment (Rept. No. 1156);

H. R. 2156. A bill for the relief of Lee Harrison; without amendment (Rept. No. 1157);

H. R. 2885. A bill for the relief of Mrs. Frank Mitchell and J. L. Price; without amendment (Rept. No. 1158);

H. R. 2904. A bill for the relief of Clyde Rownd, Della Rownd, and Benjamin C. Day; without amendment (Rept. No. 1159);

H. R. 3161. A bill for the relief of Mrs. Ruby Miller; without amendment (Rept. No. 1160);

H. R. 3217. A bill for the relief of Mattie Lee Wright; without amendment (Rept. No. 1161);

H. R. 3483. A bill for the reli f of Mr. and Mrs. Cipriano Vasquez; without amendment (Rept. No. 1162);

H. R. 3591. A bill for the relief of Addie Pruitt; without amendment (Rept. No. 1163);

H. R. 3846. A bill for the relief of the estate of Eleanor Wilson Lynde, deceased; without amendment (Rept. No. 1164); and

H. R. 3948. A bill for the relief of Mrs. Clifford W. Prevatt; without amendment (Rept. No. 1165).

By Mr. RADCLIFFE, from the Committee on Commerce:

H. R. 5316. A bill to repeal the law permitting vessel of Canadian registry to transport iron ore between United States ports on the Great Lakes; without amendment (Rept. No. 1166).

LOAN TO GREAT BRITAIN—REPORT OF COMMITTEE ON BANKING AND CURRENCY

Mr. BARKLEY. Mr. President, from the Committee on Banking and Currency, I ask unanimous consent to report favorably with an amendment Senate Joint Resolution 138, to implement further the purposes of the Bretton Woods Agreement Act by authorizing the Secretary of the Treasury to carry out an agreement with the United Kingdom, which is ordinarily referred to as the British loan, and I submit a report (No. 1144) thereon.

I wish to state to the Senate that the report I am submitting in connection with the joint resolution is quite comprehensive, and it will be, I think, available to Senators tomorrow. I hope Senators will study the provisions of the joint resolution as well as the statements in the report. I wish to state further tha when the bill now under consideration is concluded, which will be followed by the next housing bill, that is, the Wagner-Ellender-Taft bill, I wish to follow that by having the Senate take up for consideration next week the joint resolution providing for the British loan.

The PRESIDENT pro tempore. Without objection, the report submitted by the Senator from Kentucky will be received, and the joint resolution will be placed on the calendar.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. KILGORE:

S. 2048. A bill granting an increase of pension to Charles D. Booth; to the Committee on Pensions.

By Mr. THOMAS of Oklahoma:

S. 2049. A bill to amend section 508 (d) of the Federal Crop Insurance Act (7 U. S. C. 1508 (d), 52 Stat. 75) as amended; and

S. 2050. A bill to amend section 508 (a) of the Federal Crop Insurance Act (7 U. S. C. 1508 (a), 52 Stat. 75) as amended; to the Committee on Agriculture and Forestry.

By Mr. McCARRAN:

S. 2051. A bill to amend the Longshoremen's and Harbor Workers' Compensation Act; to the Committee on the Judiciary.

By Mr. BRIGGS:

S. 2052. A bill to establish a national memorial forest park in the State of Missouri as a memorial to World War II veterans; to the Committee on Public Lands and Surveys.

By Mr. McFARLAND (for himself and Mr. McCARRAN):

S. 2053. A bill to incorporate the Amvets, American Veterans of World War II; to the Committee on the Judiciary.

FEDERAL AID TO STATE OR TERRITORIAL HOMES FOR SUPPORT OF DISABLED SOLDIERS AND SAILORS—AMENDMENTS

Mr. WALSH submitted amendments intended to be proposed by him to the bill (S. 1845) to increase the amount of Federal aid to State or Territorial homes for the support of disabled soldiers and sailors of the United States, which were referred to the Committee on Military Affairs and ordered to be printed.

REEMPLOYMENT RIGHTS OF VETERANS UNDER SELECTIVE SERVICE AND TRAINING ACT OF 1940—AMENDMENT

Mr. JOHNSON of Colorado submitted an amendment intended to be proposed by him to the bill (S. 1823) to provide for continuing the reemployment rights of veterans under the Selective Training and Service Act of 1940, as amended, and for other purposes, which was referred to the Committee on Military Affairs, ordered to be printed, and to be printed in the RECORD, as follows:

At the proper place insert the following additional section:

"SEC. —. The sixth proviso contained in section 3 (a) of the Selective Training and Service Act of 1940, as amended, is amended to read as follows: '*Provided further*, That (1) on July 1, 1946, the number of men in active service in the Army shall not exceed 1,550,000 and such number shall be reduced at an average monthly rate of 40,000 a month for the 12 months following such date; (2) on July 1, 1947, the number of men in active service in the Navy shall not exceed 558,000, and the number of men in active service in the Marine Corps shall not exceed 103,000; and (3) until May 15, 1947, the monthly requisitions on selective service under this act by the Secretary of War and the Secretary of the Navy shall not exceed the number of men required after consideration of the actual number of volunteer enlistments obtained during the preceding month. The men inducted into the land or naval forces for training and service under this act shall

Calendar No. 1161

79TH CONGRESS *2d Session*	SENATE	REPORT No. 1145

PHILIPPINE TRADE ACT OF 1946

APRIL 10 (legislative day, MARCH 5), 1946.—Ordered to be printed

Mr. WALSH, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 5856]

The Committee on Finance, to whom was referred the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The only substantive amendments recommended by the committee relate to the quota on sugar. Under the House bill the quotas were based on short tons. The committee recommends that they be based on long tons.

Quotas on imports of sugar from the Philippines have been in effect for several years under the Tydings-McDuffie Act of 1934 (the Philippine Independence Act). These annual quotas have always been in terms of long tons. The committee recommends a continuation of the basis of quotas established under the Independence Act. Upon consideration of all the evidence presented the committee concluded that the preponderance thereof clearly favors the use of long tons rather than short tons.

The remaining amendments recommended by the committee are of a purely clerical nature and do not make any change in the objectives of the legislation.

There is appended the report of the Committee on Ways and Means, which contains a full discussion of the matters dealt with in the bill, and a detailed analysis of the bill, section by section.

[H. Rept. No. 1821, 79th Cong., 2d sess.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

Objective of the Bill

The primary objective of this bill is the establishment of mutually advantageous trade relations between the United States and the Republic of the Philippines for a period of 28 years following the latter's independence on July 4, 1946. It is designed to provide incentives for the rehabilitation and development of the productive capacity of the war-ravaged islands and to provide stability to future commerce between the two countries. The principal matters dealt with are:

1. Customs duties on a reciprocal basis, preferential as against all other countries.
2. Establishment of quotas on the imports of certain Philippine products.
3. Reciprocal nondiscriminatory treatment in the field of taxes.
4. Adjustments in the immigration laws of both countries to meet the pressing needs of the immediate future.
5. Protection of United States citizens and American business enterprises, regardless of form, against discriminatory treatment.

To accomplish the above objective, the bill (1) authorizes an executive agreement with the Philippines, whereby both countries accept specific provisions set forth in the bill, and (2) provides a

method under which the statutes necessary to put these specific provisions into effect will be in force as of the time of the taking effect of the agreement, and (3) provides statutes to govern the period between the date of the enactment of the act and July 4, 1946.

The providing of statutes necessary to meet the objective of the agreement is accomplished, on the part of the United States, by the enactment in this bill of the provisions of title II, which thereupon become immediately effective as statutes of the United States, with suspension and termination clauses provided elsewhere in the bill.

An equally effective device (employed for the first time in this bill) to insure prompt statutory compliance with the objectives of the agreement on the part of the Philippines is found in the provisions of section 401, which states that the executive agreement must itself provide that it shall not take effect until the Philippine Legislature accepts it by law, and by law places in effect, as laws of the Philippines, the provisions of title III of the bill, which set forth in precise statutory form the obligations of the Philippines, corresponding in most part to the United States statutes enacted by title II. Under the bill the provisions of title III will for the period up to July 4, 1946, be effective as statutes of the United States binding on one of our possessions. It is believed that such Philippine legislation as is required by section 401 would be of a short, simple nature. All that would seem to be required is a resolution of the two Houses of the Philippine Congress, signed by the President of the Philippines, accepting the executive agreement and providing that the provisions of parts 2, 3, 4, and 5 of title III shall take effect as laws of the Philippines.

Importance of Definitions

Before entering upon a discussion of the contents of the bill the committee wishes to emphasize the importance of the definitions contained in section 2 of the bill. It is exceedingly difficult, if not impossible, to understand the effect of the bill unless there is borne in mind the fact that many of the key words in the bill are defined terms. It is also important, in the reading of the following portions of this report, to bear in mind these definitions, or at least to remember that the statements made can be applied with exactness only in the light of the definitions.

Particular attention is called to the definition of "Philippine article" found in section 2 (a) (4) of the bill, which confines a "Philippine article" to a product of the Philippines not more than 20 percent of the value of which consists of the value of imported materials used in its production. Another important definition is that of "United States duty" (sec. 2 (a) (6)) which means the rate of duty which would be applicable to the article if imported from that country which is entitled to the lowest rate of duty with respect to such article when imported into the United States. Another important term used is "ordinary customs duty" which is defined (sec. 2 (a) (3)) to include duties usually thought of when the term "tariff" or "customs duty" is used in ordinary conversation. The term is defined so as not to include special duties, such as additional duties for undervaluation, anti-dumping duties, countervailing duties, etc.

PRINCIPAL PROVISIONS SUMMARIZED

Following is a brief summary of the principal provisions of the bill, a detailed explanation of which will be found in this report under the heading "Detailed Analysis of Bill, Section by Section":

1. Tariffs and quota restrictions

Duty-free trade.—All commodities qualifying as "Philippine articles" are provided free entry under the pending bill in the period from the day after enactment of this act to July 3, 1954. Trade in the principal products imported from the Philippines during that period will be limited by quotas. All commodities not "Philippine articles" as defined are subject to the full world duty throughout the period of the entire agreement.

Graduated duties.—Beginning July 4, 1954, all commodities imported into the United States from the Philippines qualifying as "Philippine articles," with the exceptions noted below, will become subject to graduated duties. In general, these duties are a percentage of the lowest United States duty accorded to any nation (now Cuba), increasing by 5 percent annually until they have reached 100 percent. After July 3, 1974, the duty on all imports from the Philippines will be the regular world rate.

Quota restrictions on imports.—Beginning with the calendar year 1946 and extending throughout the life of the agreement (July 3, 1974), the following absolute quotas are imposed on "Philippine articles" which make up the bulk of Philippine exports to the United States:

Sugar	short tons	850, 000
Cordage	pounds	6, 000, 000
Rice	do	1, 040, 000
Cigars		200, 000, 000
Scrap and filler tobacco	pounds	6, 500, 000
Coconut oil	long tons	200, 000
Pearl buttons	gross	850, 000

During the period from July 4, 1954, to July 3, 1974, imports of sugar, cordage, and rice, if "Philippine articles," will get the benefit of the graduated duties.

Duty-free quotas.—In addition to the foregoing absolute quotas, diminishing duty-free quotas are imposed by the bill on cigars, scrap and filler tobacco, coconut oil, and pearl buttons. From the effective date of the act through 1954, the quantities permitted entry, referred to above, will be free of duty, if "Philippine articles." Beginning with the calendar year 1955 and extending to 1974, duty-free quotas reduced 5 percent annually from the basic absolute quotas will be in effect. During this period, imports in excess of the duty-free quotas will be subject to the full United States duty, that is, the lowest duty accorded to any foreign country (now Cuba), rather than upon a graduated percentage thereof.

Additional quotas may be imposed.—In order to insure against substantial future competition, the pending bill provides that the President may impose quotas on other "Philippine articles" if, after investigation by the United States Tariff Commission, it is found that such articles are coming or are likely to come into substantial competition with like articles produced in the United States.

2. Nondiscriminatory tax treatment by each country with respect to imports received from the other.

3. Assurances by the Philippines that American citizens or business enterprises, regardless of the form of such enterprise, operating in the Philippines, shall not be discriminated against in the development and utilization of natural resources and public utilities.

4. Authorization of an executive agreement to be entered into between the Presidents, respectively, of the United States and the Philippines to take effect upon its acceptance by the Congress of the Philippines and upon enactment by the Congress of the Philippines of legislation necessary to put into effect the provisions of parts 2, 3, 4, and 5 of title III (Obligations of the Philippines) as laws of the Philippines.

5. Termination of the agreement on July 3, 1974.

6. Termination of such agreement by the other country for any reason on 5 years' notice; or upon 6 months' notice if either party adopts or applies measures or practices which would operate to nullify or impairrany right or obligation provided for in such agreement.

7. Termination of the agreement by the President of the United States if the President determines that a reasonable time has elapsed for any necessary amendments to the Philippine Constitution to have beenmade but that such amendments have not been made.

8. Provisions in the agreement under which, if the President finds that the Philippines are in any manner discriminating against citizens of the United States or any form of United States business enterprise, the United States may suspend the agreement in whole or in part and, if the discrimination does not cease, may terminate the agreement.

9. Termination of the authority of the President of the United States to enter into the agreement when he has determined and proclaimed that a reasonable time has elapsed without action taken by the Philippines to enter into, accept, and place such agreement in effect.

10. While sugar legislation by itself is not within the jurisdiction of the Ways and Means Committee, the establishment in the bill of a sugar quota of 850,000 short tons is recognition of the need to give every possible encouragement to the expansion of domestic sugar production. In effect, the quota in the pending bill is a step in this direction, reducing the quota under existing levels by about 11 percent

THE NEED FOR THIS LEGISLATION

Under the terms of existing law governing the termination of political sovereignty of the United States in the Philippine Islands (Tydings-McDuffie Act, as amended) the Philippines, on July 4, 1946, will be a sovereign nation, and as such, in the absence of special legislation, full tariff duties will be levied against Philippine products entering the United States after that date.

There is no question that application of full foreign tariff duties to the Philippines on July 4 of this year would effectively prevent the importation of several Philippine commodities which have, in the past, occupied a place of importance in the Philippine-American trade, particularly coconut oil and tobacco products. On February 11, the President of the United States, commenting on a bill then pending to effect the general purposes of the bill now under consideration, wrote the chairman of your committee as follows:

We are in accord that assistance to the Philippine Islands is necessary and must be provided promptly. All of us agree, at least in principle, with the legislation and approve most, if not all, of the detail thereof.

I ask that your committee give early consideration to H. R. 5185, now pending before you, as it is vital to the welfare of the Philippines and their economic stability and such stability is most important from the United States point of view. Time is of the essence.

The pending bill is the successor of H. R. 5185.

With the Philippines about to become a sovereign, independent nation it is imperative that our trade relations with the islands be defined at once and that the pattern of such relations be cut in such manner that the Philippines will derive the greatest possible assistance in the reestablishment and future development of their national economy. The United States is deeply concerned in the welfare of the Islands. It is to our advantage as well as to the advantage of the Philippines that our trade relations be placed upon a sound basis as provided for in this bill.

In the course of hearings held by your committee, it was made abundantly clear that the Philippines, in order to reestablish a normal economy and to develop resources for sustaining its independence, will require the assurance of stability in its trade with the United States. By the same token the United States, in order to render the greatest possible assistance to the Islands, will require equal assurances from the Philippines. These basic considerations weighed heavily with the committee in approving this particular bill.

The committee recognizes that conditions may arise in the course of the 28-year period covered by this bill which may reveal weaknesses in some of its provisions. It is difficult, if not impossible, to devise legislation intended to operate so far in advance without running the risk of error, but your committee believes that in view of the urgency of the present situation in the Philippines and their immediate need for the assistance which will follow enactment of this legislation that whatever defects may be revealed with the passage of time are relatively unimportant at the present time.

EXPLANATION OF FRAMEWORK OF BILL

The bill represents a new departure in the field of international agreements, and their implementation and enforcement. Therefore the committee feels that a statement as to the part which each of titles II, III, and IV performs in the framework of the bill and of the proposed executive agreement, will facilitate an understanding of the bill and of the methods made use of to attain, in the most expeditious and effective manner, the objectives sought.

TITLE II

The provisions of this title constitute legislation by the Congress, like any other statute passed by it. The provisions of this title will also be accepted by both the United States and the Philippines, if the executive agreement contemplated by the bill (and provided for in title IV) goes into effect, as binding upon them. Under section 403 the United States, in the agreement, will agree to continue the provisions of the title as United States law during the effectiveness of the agreement.

There is indicated below the length of time for which these statutes of the United States will, under the terms of the bill, continue in effect.

(1) *Period from date of enactment of act until July 4, 1946.*—During this period (the Philippines being still one of our possessions) the provisions of title II will remain in force, unless repealed by Congress.

(2) *Period from July 3, 1946, to taking effect of agreement.*—The same is true during this period (when the Philippines are an independent nation), but by section 502 of the bill Congress vests in the President power to suspend, in whole or in part, the provisions of title II if he finds that the Philippines are not doing their utmost to grant us the benefits which they will be bound by the executive agreement to grant when that agreement takes effect.

Provision is also made (sec. 407) that if the President finds that a reasonable time for the making and taking effect of the agreement has elapsed, but that the agreement has not taken effect, he shall so proclaim, and thereupon the provisions of title II cease to have effect as laws of the United States.

(3) *Period during effectiveness of executive agreement.*—During this period the provisions of title II remain in effect in a dual role—as statutes of the United States, and also as provisions by which, under the terms of the agreement, the United States agrees to be bound.

During this period, also, under the terms of the agreement the Philippines agree to accept all these provisions, not only the ones conferring benefits on them, such as rights of free entry and preferential rates for "Philippine articles" as defined in section 2 (a) (4), but also the provisions which impose limitations on them, such as part 2, which places quotas on certain "Philippine articles."

It is of course true that any of these statutes can be repealed or amended by the Congress like any other statutes, but, after the agreement takes effect, such repeal or amendment would constitute a violation of the agreement, if enacted during its effectiveness.

Ample right (secs. 404 and 501) is given the United States to terminate the agreement, and if it is terminated the provisions of title II cease to have effect as laws of the United States.

TITLE III

Title III is divided into five parts. Under the provisions of part 1 (sec. 301) the other four parts, under which the United States receives certain benefits, are binding on the Philippines until July 4, 1946, when they become an independent nation.

As to the period between July 4, 1946, and the taking effect of the executive agreement provided for in title IV, Congress cannot, of course, legislate for an independent nation, but in section 301 it is stated that it is the expectation of Congress that the provisions of parts 2, 3, 4, and 5 of this title will be observed and executed by the Philippines to the fullest extent possible under their constitution.

After the taking effect of the agreement the provisions of parts 2, 3, 4, and 5 will (1) be binding on the Philippines, because accepted by them as a part of the agreement, and (2) constitute laws of the Philippines, because by section 401 of the bill the agreement is not to take effect until the Philippine Legislature has not only accepted the agreement entered into by their President but has also enacted legislation making the provisions of parts 2, 3, 4, and 5 of title III effective as laws of the Philippines.

TITLE IV

Title IV of the bill authorizes, subject to certain limitations, the making by the President of the United States of an executive agreement with the President of the Philippines, providing for the acceptance on the part of each country of the provisions of title II and title III (except part 1) of the act.

In the bill Congress, in advance, sets forth in detail its policy with respect to matters of customs duties, quotas, taxes, and immigration, with which Congress is so vitally concerned, and makes the changes in our statutory domestic law necessary to give effect to the contemplated agreement with the Philippines relating to such subjects. The provisions of the bill, so far as they operate as statutes of the United States, constitute, under the contemplated agreement, the identical provisions by which the United States and the Philippines are to be bound after the making of the agreement.

If the agreement is entered into in accordance with the provisions of title IV, the changes in our statutory domestic law made by the bill will continue in effect during the effectiveness of the agreement.

Title IV of the bill in no way attempts to interfere with the powers and the rights that the President may have, under our Constitution, to enter into executive agreements with governments of foreign countries. Obviously, Congress cannot compel the President to enter into an agreement with the Philippines, or restrain him from making a wholly different agreement from the one contemplated by the bill, and the bill makes no attempt to impose upon him any compulsion or restraint of this character.

If the President, however, should enter into an agreement with the Philippines the terms of which do not conform with title IV of the bill, there would be no obligation on the part of Congress to continue in effect, for purposes of making that agreement effective, the changes in our statutory domestic law made by the bill. Such an agreement might grant to the Philippines either more or less benefits than those contemplated by the bill, and the obligations to be assumed by the Philippines under such an agreement might differ from those contemplated by the bill. Under such circumstances, the making of changes in our law necessary to make the agreement effective would be a matter for future consideration by the Congress.

In brief, while Congress cannot force the President to enter into an agreement of which he does not approve, neither can the President compel the Congress to enact legislation necessary to give effect to an executive agreement the policies of which it does not approve.

Title IV also (secs. 402 and 403) details certain provisions which are to be incorporated in the executive agreement as binding on the two countries; provides that the agreement shall terminate on July 3, 1974, and methods for its earlier termination by either party (sec. 404), and provides (sec. 407) that the agreement must be entered into and take effect within a reasonable time after July 3, 1946.

IMMIGRATION AND NATURALIZATION

The committee decided to leave to future legislation formulated by the immigration committees of the House and Senate the broad question of immigration from and to the United States to and from

the Philippines, and the naturalization of Filipinos, incorporating in this bill only provisions necessary to meet problems pressing for immediate solution.

Immigration to United States.—On July 4, 1946, the Philippines will be entitled to a quota of 100 under our laws, but Filipinos and persons of Filipino descent will generally speaking be excluded (sec. 13 (c) of Immigration Act of 1924) from entry under that quota on the ground of their ineligibility to citizenship (sec. 303 of Nationality Act of 1940). Natives of the Philippines will (with the possible exception of persons there born but not of Filipino descent) be barred from entry by the so-called "barred zone" clause of section 3 of the Immigration Act of 1917. Unless excluded by such "barred zone" provision white persons, persons of African nativity or descent, descendants of races indigenous to the Western Hemisphere and Chinese persons and persons of Chinese descent, will, if born in the Philippines, be entitled to entry under the annual quota of 100.

It seems to the committee that the broad question here involved should be taken up by the Committee on Immigration and Naturalization of the House at an early date, if indeed it has not already been taken up.

The committee has, however, retained in the bill section 231, under which Philippine citizens who resided here for 3 years immediately preceding November 30, 1941, may be admitted as nonquota immigrants during a 5-year period starting in July 4, 1946. This provision (which is fully explained in the "Detailed Analysis of Bill, Section by Section" part of this report) will ensure the right to return to this country for permanent residence of a number of Philippine citizens who left this country after Pearl Harbor to fight against Japan.

Naturalization of Filipinos.—The House last April passed H. R. 776, making eligible to naturalization Filipinos and persons of Filipino descent. While the Senate has not yet passed it, there is reason to hope that it will soon be enacted into law. In any event this question, with the technical details connected with it, the committee did not feel justified in attempting to solve.

Immigration into Philippines.—The problems involved in the entry ot our citizens into the Philippines after independence, are quite clearly to be met only by legislation by the Philippines, or by provisions contained in the executive agreement authorized by the bill. Two matters are of immediate urgency:

The one, correlative to that discussed under a preceding paragraph, relates to the need of our citizens who resided in the Philippines for 3 years prior to November 30, 1941, and were forced out by the war. Section 331 of the bill, which on the taking effect of the executive agreement will become a law of the Philippines, permits their reentry into the Philippines, for permanent residence, if they enter during the 5 years beginning July 4, 1946. The section is fully explained in the portion of this report entitled "Detailed Analysis of Bill Section by Section."

The other pressing need is for the entry into the Philippines, for a more limited stay, of a number of our citizens, especially technicians and specialists, in order to facilitate the rehabilitation of the industries of the Philippines. Under the Philippine immigration laws, beginning July 4, 1946, each country, including the United States, has an annual quota of 500, a number inadequate for the needs of rehabilitation work. Accordingly, the agreement when made, will contain a provision (sec. 402 (e)) under which during each of a period of years, specified in the agreement (not less than five) an additional number, specified in the agreement (not less than 1,000) of our citizens, will be entitled to enter the Philippines, and to remain there for a length of time specified in the agreement. Section 332 of the bill implements this provision of the agreement and, as law of the Philippines when the agreement takes effect, will permit the entry of our citizens in accordance with the terms of the agreement.

Rights of American Citizens and Business Enterprises

The rehabilitation and development of the Philippine economy and natural resources, and the establishment of a solid foundation for its industries, call not only for new capital but for men experienced in business management and technical skills. It is to the United States primarily that the Philippines must look for this capital and these men. Obviously American capital and business enterprise cannot be attracted to the islands without assurances that their rights will be protected.

In order to furnish this assurance the bill contains two provisions, the first calling for a necessary amendment to the Philippine Constitution, and the second, a clause to be inserted in the proposed agreement under which the United States reserves the right to suspend or terminate the agreement if the President determines that our citizens or business enterprises are being discriminated against.

Amendment to Constitution of Philippines.—Articles XII and XIII of the Philippine Constitution contain clauses under which the disposition, exploitation, development, and utilization of the public domain and natural resources of the Philippines and the operation of public utilities, are confined to citizens of the Philippines and corporations at least 60 percent of the capital of which is owned by Philippine citizens.

Section 341 of title III provides that the disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities, shall, if open to any person, be open to citizens of the United States and to all forms of business enterprise owned or controlled, directly or indirectly, by United States citizens.

It is apparent that the terms of this section cannot be fully complied with by the Philippines without a violation of their constitution.

Accordingly it is provided in the bill (sec. 401 (b)) that the obligations of the Philippines to observe and execute, as law of the Philippines, so much of section 341 as is in conflict with their constitution, will not arise until such time as the necessary constitutional amendment has been made.

The bill also provides (sec. 404 (c) (1)) that if the President finds undue delay in the adoption of the constitutional amendment, he shall so proclaim, and thereupon the agreement shall cease to be in effect.

Discrimination against United States.—The second safeguard above adverted to is found in section 404 (c) (2) and (3), clauses of the agreement under which the United States has the right, if the President, after consultation with the President of the Philippines, determines that there is any discrimination against United States citizens or any form of United States business enterprise, to suspend the whole or any part of the agreement. If the discrimination does not cease within a reasonable time as determined by our President, the United States has the right to terminate the agreement on not less than 6 months' notice.

Section 501 of the bill carries out this clause of the agreement. By it, when the President makes the required determination of discrimination, he shall so proclaim, and the agreement, or such part as he specifies as necessary to protect our interest, is suspended until he determines that the discrimination has ceased. If the President determines that, after the lapse of a time determined by him to be reasonable, the discrimination has not ceased, he is to give to the Philippines notice of our intention to terminate the agreement.

Analysis of Quotas, Tariffs, and Principal Philippine Exports to the United States

Although reciprocal free trade between the United States and the Philippines was first instituted in 1909, the United States has imposed restrictions from time to time on the importation of certain products into the United States. The Philippine Independence Act of 1934 established duty-free quotas on sugar, coconut oil, and cordage, with all shipments of these commodities in excess of the duty-free quotas subject to full duty. In 1935 an absolute quota was imposed on cordage. The 1939 amendments to the Independence Act, in addition to continuing the quotas on sugar and cordage, established diminishing duty-free quotas on other products, namely, cigars, scrap and filler tobacco, coconut oil, and pearl or shell buttons.

The pending bill continues in effect quota provisions with certain modifications. Specifically, absolute quotas are established in the bill as shown in the following table. Also shown in the table are the average annual shipments into the United States from the Philippines in various periods of the articles subject to quotas.

Absolute quotas provided in bill regulating United States-Philippine Islands trade (H. R. 5856), and actual average shipments in specified periods

Commodity	Unit of quantity	Annual quotas provided by H. R. 5856	Average annual shipments into the United States from Philippine Islands, 1926-29, inclusive	Average annual shipments into the United States from Philippine Islands, 1934-37, inclusive
Sugar	Short ton	850,000	549,173	979,283
Cordage	Pound	6,000,000	5,108,399	6,393,700
Rice	do	1,040,000	123,807	6,589,630
Coconut oil	Long ton	[2] 200,000	144,195	149,932
Cigars	Number	[2] 200,000,000	([3])	192,549,252
Scrap tobacco and stemmed and unstemmed filler tobacco.	Pound	[2] 6,500,000	2,554,380	3,452,409
Buttons of pearl or shell	Gross	[2] 850,000	831,755	716,225

[1] The average annual imports from the Philippines during the period 1937-41.
[2] Quantity of "Philippine articles" entitled to free entry is reduced by 5 percent each year beginning in 1955.
[3] Not reported in number prior to 1934.

Source: U. S. Tariff Commission, United States-Philippine Trade, Report No. 118; Joint Preparatory Committee on Philippine Affairs, May 20, 1938; Foreign Commerce and Navigation of the United States.

The quotas, except in the case of cordage, apply only to Philippine articles. The cordage quota applies to Philippine products whether or not they come under the definition of Philippine articles.[1]

Under the pending bill, the tariff status of imports of sugar, cordage, and rice (and all other products except cigars, tobacco, coconut oil, and pearl buttons), insofar as they are "Philippine articles," will be as follows: During the period beginning with the effective date of the act and ending July 3, 1954, inclusive, imports will be free of ordinary customs duty; from the period July 4 to December 31, 1954, inclusive, imports will be dutiable at 5 percent of the lowest United States duty accorded to any foreign country (now Cuba), and for the calendar year 1955 at 10 percent of such duty; for the calendar years 1956 to 1972, inclusive, the duty will be increased annually by an additional 5 percent of the United States duty until in the period January 1, 1973, to July 3, 1974, inclusive, imports will be dutiable at 100 percent of the lowest United States duty accorded to any foreign country.

After July 3, 1974, these products will be dutiable at the same rates of duty that would be applicable to the products of other foreign countries. In other words the United States will not, after that date, accord tariff preferences to "Philippine articles" unless further legislation is adopted.

QUOTAS AND TARIFFS IN GENERAL

Throughout the period covered by the bill, the absolute quotas remain in effect on sugar, cordage, rice, cigars, scrap and filler tobacco, coconut oil, and pearl buttons, but in addition to the absolute quotas, diminishing duty-free quotas are also established on cigars, scrap and filler tobacco, coconut oil, and pearl buttons, providing for free entry of an amount reduced by 5 percent annually starting in 1955 from the base amount of the absolute quotas.

[1] See detailed analysis of bill section by section, sec. 2 (a) (4) infra.

Beginning in 1955 imports of cigars, scrap and filler tobacco, coconut oil, and buttons over and above the duty-free quotas but within the limits of the absolute quotas will be subject to the lowest United States duty accorded to any foreign country (now Cuba) and these products are, therefore, excluded from the graduated tariff increases applicable to sugar, cordage, and rice, and other commodities not named specifically in the bill. The amounts of the specified articles that may be entered into the United States in each year free of ordinary customs duties appear in the bill as follows:

Duty-free quotas on "Philippine articles" in specified years

Year	Cigars	Tobacco	Coconut oil	Pearl buttons
	Number	*Pounds*	*Long tons*	*Gross*
Each year, 1946 to 1954, inclusive	200, 000, 000	6, 500, 000	200, 000	850, 000
1955	190, 000, 000	6, 175, 000	190, 000	807, 500
1956	180, 000, 000	5, 850, 000	180, 000	765, 000
1957	170, 000, 000	5, 525, 000	170, 000	722, 500
1958	160, 000, 000	5, 200, 000	160, 000	680, 000
1959	150, 000, 000	4, 875, 000	150, 000	637, 500
1960	140, 000, 000	4, 550, 000	140, 000	595, 000
1961	130, 000, 000	4, 225, 000	130, 000	552, 500
1962	120, 000, 000	3, 900, 000	120, 000	510, 000
1963	110, 000, 000	3, 575, 000	110, 000	467, 500
1964	100, 000, 000	3, 250, 000	100, 000	425, 000
1965	90, 000, 000	2, 925, 000	90, 000	382, 500
1966	80, 000, 000	2, 600, 000	80, 000	340, 000
1967	70, 000, 000	2, 275, 000	70, 000	297, 500
1968	60, 000, 000	1, 950, 000	60, 000	255, 000
1969	50, 000, 000	1, 625, 000	50, 000	212, 500
1970	40, 000, 000	1, 300, 000	40, 000	170, 000
1971	30, 000, 000	975, 000	30, 000	127, 500
1972	20, 000, 000	650, 000	20, 000	85, 000
1973	10, 000, 000	325, 000	10, 000	42, 500
1974	0	0	0	0

The purpose of fixing absolute quotas in the bill is to restrict the amount of the specified products that may enter the United States in any calendar year. The products for which absolute quotas are fixed, which are among the major Philippine export products, are generally competitive with the products of United States industry.

While recognition is given to the necessity of giving special treatment to imports from the Philippines for a specified period to enable producers in the islands to make necessary adjustments in order to compete in the United States on the same basis as other foreign countries and in world markets, it is also logical and reasonable that definite limits should be placed upon the amounts of such articles that may enter the United States. Quotas will also tend to prevent an uneconomic expansion of Philippine industry dependent upon preferences in the United States market.

The purpose of the duty-free quotas in the bill is to give Philippine industries the opportunity, over a long period of time, to make gradual adjustment in their internal operations so that by the end of the period they will be in a position to compete in world markets without tariff preferences. Heretofore, these products have found an exclusive market in the United States because of the preferential treatment given to its products.

ALLOCATION OF QUOTAS

In addition to fixing quotas, the method by which such quotas, other than that on rice, must be allocated among the manufacturers is also set forth in the bill. In general, quotas will be allocated to manufacturers exporting to the United States from the Philippines in the calendar year 1940 upon the basis of their average annual production in specified base periods. In the case of sugar allocations, the base period is the annual average production of the producers in the years 1931, 1932, and 1933; for cordage it is the amount produced by each manufacturer which was exported in the 12 months immediately preceding the inauguration of the Commonwealth government (November 1935); the allocation of the duty-free quota products will be upon the basis of products of each manufacturer exported to the United States in the calendar year 1940.

PROCESSING AND OTHER TAXES

Provision is made in the proposed executive agreement with the Philippines by which the United States promises to continue in force, during the effectiveness of the agreement, the preferential processing tax with respect to coconut oil. This tax preference of 2 cents per pound has been in effect since the processing taxes were enacted in 1934 except that it has been temporarily suspended during the war when adequate supplies of Philippine copra and coconut oil were not available. Except for periods in which supplies from the Philippines are inadequate, the United States will impose a processing tax 2 cents per pound higher on coconut oil derived from copra produced in third countries than on coconut oil derived from Philippine copra. This tax preference has in the past resulted in the United States obtaining practically all its supplies of coconut oil from the Philippines either in the form of oil or in the form of copra, which is crushed in the United States, and it may be expected that during the effectiveness of the agreement the Philippines will supply us with practically all of our coconut oil. The bill authorizes the President to suspend the 2-cent preference when supplies from the Philippines are not adequate.

The bill also provides for nondiscriminatory internal tax treatment on Philippine products in the United States. In other words, having provided for preferential tariff treatment, the United States cannot nullify such preferences by discriminatory internal taxes. On the other hand, the United States reserves full rights to impose compensating taxes on imports to offset internal taxes imposed with respect to like domestic articles or with respect to the materials used in the production of like domestic articles. For example, while the United States will unqualifiedly admit sugar free of ordinary customs duty in the period ending July 3, 1954, it has full rights to impose on imports of manufactured sugar a tax equivalent to the tax imposed with respect to like sugar produced in the United States. However, such compensating taxes cannot be substantially more than is necessary to offset the internal taxes.

Provision is also made that internal taxes on Philippine products will be no higher than internal taxes on like products imported from third countries.

The bill leaves undisturbed the internal taxes on oleomargarine adulterated butter, and filled cheese, imposed under sections 2306, 2327, and 2356 of the Internal Revenue Code.

These taxes are:

	Internal revenue tax on manufacture, per pound	Internal revenue tax on imported article, per pound
Secs. 2300–2327, Internal Revenue Code:		
Oleomargarine	10 cents (colored), ¼ cent (uncolored)	15 cents.
Adulterated butter	10 cents	
Secs. 2350–2362, Internal Revenue Code: Filled cheese	1 cent	8 cents.

TERMINATION OF PAYMENTS INTO PHILIPPINE TREASURY

Under existing law the proceeds of duties and taxes collected in the United States on Philippine goods, including especially the proceeds of the processing tax under section 2470 of the Internal Revenue Code on coconut oil derived from Philippine copra, have been paid either directly into the treasury of the Philippines or held as a separate fund and then paid into the Philippine treasury. In effect this arrangement constitutes a continuing appropriation of these funds for the benefit of the Philippines.

It is clearly undesirable for the Congress to continue such an arrangement of collecting taxes from the American people for the direct account of a foreign government, and the payments to the Philippines will cease with respect to taxes collected after July 3, 1946 (see sec. 506 of the bill).

Existing law has provided for the payment to the Philippines of taxes "accrued" up to July 3, 1946. The bill provides that the payment shall be terminated with respect to taxes "collected" after July 3, 1946. The shift from the accrual to a collection basis is made largely for reasons of administrative convenience. While on the face of it, it may seem to deny the Philippines the proceeds of taxes accrued before independence but not collected until thereafter, on the other hand, the Philippines will not be called on to make up the money which will be paid by the United States after July 3, 1946, as refunds to taxpayers because of incorrect collections prior to independence; such refunds have heretofore been charged against the funds standing to the credit of the Philippine government.

The termination of these payments is a very important matter inasmuch as for the past several years they have constituted one of the principal sources of revenue to the Philippine government, the deposits into the fund and available for withdrawal by the Philippine government amounting in the period 1938–40 to an average of $30,000,000 annually.

The continuance of our historic policy of exempting manila (abaca) fiber not dressed or manufactured in any manner from processing or other internal taxes is provided for in the bill. This fiber is not produced in the United States.

PRINCIPAL PHILIPPINE EXPORTS

The products for which quotas are established in the bill comprise the great bulk of Philippine exports to the United States. Because of the importance of these products to Philippine economy as well as to United States consumption, a brief analysis is given below of each of the products for which quotas are fixed.

SUGAR

Importance of sugar industry in Philippine economy.—Sugar culture was carried on in the Philippines before the Spanish came to the islands in 1521 but modernization of the industry did not begin until about 1910. It was not until 1923, however, that production of centrifugal sugar exceeded that of the old-type muscovado sugar which is extracted by boiling cane juice in large open kettles over fires.

The most rapid expansion in the industry in both acreage and production occurred in the years 1929 to 1934 when the question of Philippine independence was being debated by the United States Congress. Philippine centrifugal sugar production reached a peak of 1,598,000 short tons in 1934. Since that time, it has declined primarily because of the quota provisions of the Independence Act and of our sugar legislation (the Jones-Costigan Act and the Sugar Act of 1937).

In 1939 there were 46 sugar centrals (mills) with an annual capacity of about 1,500,000 short tons based upon a normal grinding period annually of 150 days. In the early 1930's the Philippines supplied something less than 5 percent of the world production of sugar. Because of its commanding position in Philippine export trade, sugar is of great significance to Philippine economy.

Investments in the industry in 1935 were estimated at $265,000,000, of which $84,000,000 were invested in centrals (mills). Of the total capital invested in centrals, approximately 45 percent was owned by Filipinos, 30 percent by Americans, and 25 percent by Spaniards. Most of the investments in cane lands and in improvements thereto have been made by Filipinos.

Sugar production in the Philippines is organized on a different basis from that found in many other cane sugar producing areas. In Philippine production, the two principal factors are the individual planters, who produce the cane, and the centrals, which mill it, very little cane being produced by the centrals. Individual planters operate under a milling contract with the central. Contracts were usually drawn for a period of 30 years and provided that the planters receive 50 to 60 percent of the sugar extracted from their cane.

The Philippine sugar industry is located in three principal producing regions: (1) The island of Negros; (2) the Provinces of Pampanga, Bataan, and Tarlac (central Luzon); and (3) the Provinces of Batangas and Laguna (southwestern Luzon). These districts generally produce nearly 90 percent of the total sugar, Negros alone accounting for about 55 percent of the total. According to estimates made by the Philippine Sugar Association in 1934, from 10 to 15 percent of the total Philippine population is dependent entirely, or substantially, upon the

sugar industry. The degree of dependence, however, varies markedly from province to province.

Since 1923 the value of exports of sugar has been greater than that of exports of any other Philippine product. Exports of sugar exceeded 1,000,000 short tons in 1932, for the first time in Philippine history and increased to a peak of 1,275,000 short tons in 1934. Practically all of the sugar exported from the Philippines in recent years has been for the United States market. The following table shows, for a series of years, the quantity and value of the exports of sugar and the proportion going to the United States:

Sugar: Quantities and values exported from the Philippines to all countries and to the United States, 1928–40

Year	Total exports		Ratio of total value of exports of sugar to total value of all Philippine exports	Exports to the United States		Ratio of quantity of exports of sugar to the United States to total quantity of such exports to all countries
	Quantity	Value		Quantity	Value	
	Short tons, raw value		*Percent*	*Short tons, raw value*		*Percent*
1928	628, 863	$47, 542, 940	30. 7	589, 565	$45, 699, 006	93. 75
1929	767, 596	53, 244, 149	32. 4	740, 206	52, 161, 316	96. 43
1930	822, 201	52, 240, 226	39. 2	814, 736	52, 039, 890	99. 09
1931	833, 080	49, 963, 105	48. 1	832, 430	49, 950, 417	99. 92
1932	1, 124, 971	59, 801, 884	62. 7	1, 124, 691	59, 796, 369	99. 98
1933	1, 193, 260	64, 333, 426	60. 8	1, 193, 244	64, 332, 902	99. 99
1934	1, 275, 313	65, 454, 580	59. 3	1, 275, 250	65, 453, 621	99. 99
1935	573, 510	32, 990, 680	35. 0	572, 724	32, 961, 593	99. 86
1936	991, 892	61, 937, 322	41. 9	991, 646	61, 927, 184	99. 97
1937	960, 153	57, 706, 194	38. 1	956, 805	57, 610, 521	99. 65
1938	957, 076	50, 022, 024	43. 2	956, 728	50, 002, 686	99. 96
1939 [1]	670, 804	34, 466, 375	50. 7	670, 645	34, 458, 146	99. 90
1940 [2]	798, 695	39, 494, 605	34. 8	798, 261	39, 466, 490	99. 95

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Position of Philippine sugar in United States markets under existing law.—Under the Jones-Costigan Act of May 9, 1934, quota limitations were placed on imports into and on the marketing of domestic sugar in continental United States. The quota system has been continued since that time. The Sugar Act of 1937, which superseded the Jones-Costigan Act, provides for a percentage distribution of United States consumption requirements among domestic and foreign producing areas. Domestic sugar-producing areas (including Hawaii and Puerto Rico) are allotted 55.59 percent of estimated consumption and the Philippines and foreign countries are allotted 44.41 percent. The Philippine quota is fixed at 34.70 percent of the share reserved for other than domestic areas, or 15.41 percent of the total quota, but may not be less than the duty-free quota established by the Independence Act.

The quota allocation to continental United States producing areas furnishes about 30 percent of the consumption requirements and they did not exceed this contribution before quotas became effective. Consequently, shipments from other sources have been an important factor

supplying United States demand. During the past two decades, offshore supplies have come almost entirely from the insular Territories and possessions of the United States and from Cuba. Prior to the war, production in continental United States and in the insular areas under the quota system, continued at approximately the level attained in 1933, at or near their high points of production, while the proportion permitted from Cuba was higher than the actual shipments during the depression years but appreciably lower than during the years 1927–30. The Philippine quota was lower than its high level of shipments in 1933 but more than 40 percent higher than its actual shipments during the years 1927–30.

The Tariff Act of 1922 fixed the general rate of duty on 96° sugar entering the United States at 2.206 cents per pound. This rate was increased by the Tariff Act of 1930 to 2.5 cents per pound. On May 9, 1934, the President issued a proclamation lowering the duty on sugar to 1.875 cents per pound, effective June 8, 1934. In each of the above instances the rate on Cuban sugar was 20 percent lower than the full duty because of provisions of the commercial treaty signed by Cuba and the United States in 1902; the rate on Cuban sugar thus became 1.5 cents per pound by Presidential proclamation.

By the terms of the trade agreement between the United States and Cuba, in 1934, following the enactment of quota legislation, the United States granted a reduction in the rate of duty on Cuban sugar from 1.5 cents to 0.9 cent per pound, effective September 3, 1934, and in a subsequent agreement to 0.75 cent per pound, effective January 1942. These agreements with Cuba did not affect the rate of duty on imports from other countries which remained at 1.875 cents per pound. If the imports of sugar from the Philippines had been dutiable, they would have been subject to ~~this general rate~~. The Sugar Act of 1937 accorded a quota for Philippine sugar usually somewhat higher than the Independence Act quota, but this excess was never entered as it would have been subject to the general rate of duty. In the trade agreement with Peru, the general rate was reduced from 1.875 to 0.9375 cent per pound (96°), effective July 29, 1942.

For over 30 years prior to the inauguration of the quota system in 1934, sugar prices in the United States were about the same as world prices plus the United States duty on Cuban sugar. Since the establishment of the quota system, the price of sugar in the United States has ceased to be linked directly to the world price and the duty; it has been the resultant of current domestic demand and the volume of sales fixed in accordance with the provisions of the Sugar Act. Until the declaration of war this price generally exceeded the world price by considerably more than the duty on Cuban sugar but only occasionally more than the amount of the full duty.

COCONUT OIL AND COPRA

Importance of the coconut industry in the Philippine economy.—The coconut industry is one of the oldest and most important in the Philippine Islands. At the outbreak of World War I the Philippines were supplying approximately one-fourth of all the copra entering world trade. The copra-crushing industry had not as yet developed in the Islands, however, so that export of coconut products was almost entirely in the form of copra.

The demand for copra and coconut oil was greatly stimulated during World War I period. Prices of all fats and oils arose to extremely high levels, but the price of coconut oil exceeded that of most of the other fats and oils. During this period the acreage devoted to the coconut palm was greatly expanded and a coconut oil export industry was started. Because of the scarcity of shipping it was more economical to export the oil than the more bulky copra. Beginning with a small number of mills, the number increased until at the end of the war there were over 40 sizable establishments in operation.

The cessation of hostilities was followed shortly by a world-wide depression, in consequence of which the demand for coconut oil declined sharply, and nearly all the mills in the Philippines were forced to liquidate. Most of the mills closed down but a few modernized their equipment and began operations again on a commercial scale. The survival of the copra-crushing industry in the islands was made possible largely because of the protection afforded by the United States Tariff Act of 1922 which imposed a duty of 2 cents per pound on coconut oil from foreign countries. This duty has served practically to exclude imports of coconut oil from all sources other than from the Philippines.

To illustrate the growth of the Philippine coconut industry the combined tonnage of the major coconut products exported increased over fortyfold from 1899 to a period shortly before World War II. The acreage devoted to coconut production advanced from less than one-half million acres before 1910 to a million and a half or more after 1934. Exports of coconut oil and copra in terms of oil increased from 193,000 metric tons in 1925 to 363,000 metric tons in 1934 and in the latter year they supplied 34 percent of the world trade in copra and coconut oil combined. From 1925 to 1934, 54 percent of the exports of coconut products was shipped in the form of oil.

The coconut-growing industry in the Philippines consists, for the most part, of small enterprises. The groves on which most of the coconuts are grown consist of plots of less than 10 acres. In point of area under cultivation, coconut production ranks second in importance, being exceeded only by rice; it generally ranks third in value, being exceeded only by sugar and rice.

It is believed that over 30 percent of the total population of the Philippines is directly dependent on the coconut industry for their livelihood. Moreover, the insular government derives a considerable portion of its total revenues from this industry.

An unofficial Philippine estimate indicates that the coconut industry including all of its branches, represented an investment of more than $220,000,000 in 1935. Of this investment, Filipinos were reported to own or control about 90 percent and Americans, Spaniards, British, and others the remainder.

Coconut oil is produced in the Philippines primarily for export and nearly all of the coconut oil exported is shipped to the United States markets. The remainder is consumed in the Philippines, chiefly in the production of margarine, cooking fats, soap, and other manufactured products.

The quantity and value of coconut oil exported from the Philippines to all countries and to the United States in recent years are shown in the following table. Because of its importance to the Philippines

and to the United States oil-crushing industry, a table is also given showing exports of copra to the United States and to all countries.

Coconut oil: Quantities and values exported from Philippines to all countries and to the United States, 1928–40

Year	Exports of coconut oil to all countries			Ratio of value of exports of coconut oil to total value of all Philippine exports	Exports of coconut oil to the United States		Ratio of quantity of coconut oil exported to the United States to total quantity of coconut oil exported to all countries
	Quantity	Value	Value per ton		Quantity	Value	
	Short tons			*Percent*	*Short tons*		*Percent*
1928	156, 796	$23, 489, 172	$149. 81	15. 1	155, 241	$23, 239, 520	99. 0
1929	210, 011	29, 184, 942	138. 97	17. 7	207, 990	28, 900, 587	99. 0
1930	162, 442	19, 155, 382	117. 92	4. 4	161, 051	18, 961, 826	99. 1
1931	181, 848	15, 035, 322	82. 68	14. 5	163, 948	13, 585, 684	90. 2
1932	126, 405	7, 651, 144	60. 53	8. 0	121, 539	7, 335, 830	96. 2
1933	175, 951	9, 169, 823	52. 12	8. 7	173, 622	9, 025, 075	98. 7
1934	159, 654	6, 794, 871	42. 56	6. 2	149, 843	6, 396, 557	93. 9
1935	182, 095	12, 254, 581	67. 30	13. 0	178, 781	12, 005, 098	98. 2
1936	175, 951	13, 871, 759	78. 84	9. 4	166, 365	13, 137, 171	94. 6
1937	180, 002	20, 525, 537	114. 03	13. 6	176, 706	20, 173, 703	98. 2
1938	182, 567	10, 766, 455	58. 97	9. 3	175, 887	10, 353, 341	96. 3
1939 [1]	100, 200	4, 841, 844	48. 32	7. 1	95, 208	4, 551, 264	95. 0
1940 [2]	192, 956	10, 342, 026	53. 60	9. 1	165, 706	8, 621, 556	85. 9

[1] January to June 1939 only.
[2] Fiscal year, from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Copra: Quantities and values exported from Philippines to all countries and to the United States, 1928–40

Year	Exports of copra to all countries			Ratio of value of exports of copra to total value of all Philippine exports	Exports of copra to the United States		Ratio of quantity of copra exported to the United States to total quantity of copra exported to all countries
	Quantity	Value	Value per ton		Quantity	Value	
	Short tons			*Percent*	*Short tons*		*Percent*
1928	258, 400	$22, 542, 341	$87. 24	14. 5	201, 265	$17, 603, 832	77. 9
1929	191, 331	15, 565, 820	81. 36	9. 5	142, 878	11, 440, 898	74. 7
1930	192, 133	13, 433, 438	69. 92	10. 1	155, 603	10, 654, 348	81. 0
1931	192, 066	9, 150, 404	47. 64	8. 8	133, 251	6, 052, 328	69. 4
1932	151, 282	5, 133, 227	33. 93	5. 4	91, 522	3, 056, 066	60. 5
1933	340, 312	8, 956, 028	26. 31	8. 5	229, 279	5, 951, 226	67. 4
1934	377, 768	8, 605, 124	22. 78	7. 8	169, 186	3, 900, 060	44. 8
1935	278, 774	10, 987, 330	39. 41	11. 7	229, 382	9, 106, 010	82. 3
1936	320, 864	14, 999, 784	46, 75	10. 2	201, 193	9, 772, 482	62. 7
1937	260, 742	15, 984, 700	61. 30	10. 6	228, 695	14, 424, 980	87. 7
1938	377, 060	12, 256, 014	32. 50	10. 6	250, 709	8, 104, 586	66. 5
1939 [1]	209, 731	6, 214, 026	29. 63	9. 1	106, 056	3, 080, 348	50. 6
1940 [2]	443, 430	13, 471, 796	30. 38	11. 9	269, 100	7, 997, 546	60. 7

[1] January to June 1939 only.
[2] Fiscal year, from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Position of Philippine coconut oil in the United States market.—The imposition of the 2 cents per pound duty on coconut oil in the Tariff Act of 1922 resulted in practically the entire quantity of coconut oil imported into the United States being of Philippine origin. After the imposition in 1934 of the 5 cents per pound processing tax on coconut oil produced from foreign copra, as compared with 3 cents per pound on oil produced from copra of the United States possessions, imports of copra were also mainly of Philippine origin. Consequently, the bulk of the supply of coconut oil consumed in the United States, and especially after 1934, was mainly of Philippine origin.

Competitive situation.—Fats and oils of animal and vegetable origin are used in the preparation of (1) food products; (2) soap; (3) paints, varnish, linoleum, and printing inks; and (4) many miscellaneous manufactures. Many fats and oils can be substituted for one another either wholly or in substantial degree. Notwithstanding the wide technical interchangeability, however, there are no satisfactory substitutes for some oils and fats in certain uses. For some uses substitution may occur, but certain fats are preferred because they produce a better product, or for other reasons.

In 1940, a year fairly typical of the prewar period, there was consumed in the United States 9.3 billion pounds of fats and oils (including butter on a butterfat basis) for all purposes; 67 percent was consumed in food, 20 percent in soap, 8 percent in paint and related products, and 5 percent in miscellaneous manufactures. Of the total, 590 million pounds, or 6 percent, consisted of coconut oil.

Coconut oil is consumed chiefly in the manufacture of soap in the United States and, to a lesser extent, in food products—margarine, shortening, biscuit, and confectionery—and in miscellaneous products. In 1940 more than 70 percent was consumed in soap and most of the remainder in food. During the war coconut oil was practically confined to soap manufacture, largely on account of the relatively high yield of glycerin, a critical war material.

Coconut oil is one of the so-called lauric acid oils, that is, it contains a large percentage of a lauric-acid derivative. The two other principal oils in this category are palm kernel and babassu. For all important uses these oils are practically interchangeable. Palm-kernel oil comes principally from countries in central west Africa and from the Netherlands Indies and British Malaya (or from kernels originating in those countries) and babassu oil from Brazil. Palm-kernel oil, like Philippine coconut oil, is subject to a processing tax of 3 cents per pound; in addition, the imported edible palm-kernel oil is dutiable at one-half cent per pound. Babassu oil is free of duty and excise tax. Coconut oil is by far the most important of this group of oils consumed in the United States.

The lauric-acid oils are preferred for use in the soap industry primarily because they produce soaps of easy solubility and high-lathering properties. On the average the lauric-acid oils are blended with other fats and oils so as to constitute about 25 percent of the fat charge to produce the best products, although this percentage may be varied within limits, depending upon the type of soap being made and upon other factors. In percentages beyond the minimum requirements, the lauric-acid oils compete with tallows and greases, and other fats in the manufacture of soap.

Coconut oil was used to a considerable extent in margarine before the war. In 1929, there were 186,000,000 pounds consumed in this use and 174,000,000 pounds in 1935. Consumption thereafter declined largely because of laws discriminating against use of foreign oils in margarine and because technological improvements were made in processing cottonseed and soybean oils to make them suitable for use in margarine. Coconut oil disappeared from margarine during the war.

Coconut oil is not important for use in shortening but at times substantial quantities have been so used. For instance, in 1935, consumption of coconut oil in shortening amounted to 44,000,000 pounds, although it was considerably less in most other years.

Coconut oil has properties which make it especially desirable for use in certain biscuits, crackers, and confectionery. For some of these uses oils such as cottonseed and peanut have been developed which are satisfactory substitutes. For other purposes in these industries no satisfactory substitute (aside from other lauric-acid oils) has been found. From 50 to 90 million pounds annually have been used for such uses in the aggregate in the past. In the postwar period coconut oil will likely continue to be preferred for these purposes.

Generally speaking, it may be stated that the soap industry and, to a lesser degree, the biscuit and confectionery industries, will continue as the principal outlets for coconut oil. In these uses the minimum requirements for this oil, together with smaller quantities of other lauric-acid oils, may aggregate 500 to 600 million pounds or more annually. The quantities which may be consumed in excess of these requirements and in other uses will have to compete directly with tallows, greases, palm oil, marine-animal oils, and others.

ABACA FIBER AND CORDAGE

Significance of the cordage industry to the economy of the Philippine Islands.—In the decade 1931–40 cordage accounted for about 1 percent of the total value of all exports from the Philippine Islands and abaca (manila) fiber accounted for about 9 percent.

Total production of cordage in the 5 years 1934–38 averaged 23,000,000 pounds per year, but data as to the value of that production are not available. In this 5-year period total exports of cordage averaged 17,000,000 pounds per year, valued at 1.1 million dollars.

In the 5 years 1936–40 production of abaca fiber in the Philippine Islands averaged about 400,000,000 pounds per year, but the value of this production is not reported. Abaca fiber exports in this period averaged about 365,000,000 pounds per year, valued at $15,000,000. Thus, the value of abaca fiber exports in the 5 years 1936–40 [2] was almost $14,000,000 per year greater than the annual average value of cordage exports in the 5 years 1934–38.[2]

The cordage mills employed about 1,000 persons, and between 2 and 2½ million people were dependent directly or indirectly on abaca production for all or part of their livelihood.

Before the war there were five cordage factories in the Philippine Islands. On the basis of spindle capacity in 1935 American capital controlled about 53 percent of the industry, Filipino capital 41 percent, and Chinese capital about 6 percent.

[2] Different periods compared for the reason that data as to cordage are not available beyond 1938.

The quantity and value of abaca and cordage exported from the Philippines to all countries and to the United States in recent years are shown in the following tables:

Abaca: Quantities and values exported from the Philippines to all countries and to the United States, 1928–40

Year	Total exports		Ratio of total value of exports of abaca to total value of all Philippine exports	Exports to the United States		Ratio of exports of abaca to the United States to total exports of abaca to all countries	
	Quantity	Value		Quantity	Value	Quantity	Value
	Short tons		*Percent*	*Short tons*		*Percent*	*Percent*
1928	192, 677	$26, 593, 606	17. 2	56, 340	$9, 527, 045	29. 2	35. 8
1929	208, 802	28, 240, 550	17. 2	74, 850	12, 276, 363	35. 8	43. 5
1930	186, 610	18, 426, 676	13. 8	64, 715	7, 638, 029	34. 7	41. 5
1931	145, 629	8, 942, 906	8. 6	30, 756	2, 511, 733	21. 1	28. 1
1932	116, 607	5, 015, 602	5. 3	27, 709	1, 481, 576	23. 8	29. 5
1933	167, 622	6, 873, 859	6. 5	39, 891	2, 012, 934	23. 8	29. 3
1934	192, 352	8, 661, 568	7. 8	46, 386	2, 695, 895	24. 1	31. 1
1935	207, 453	11, 473, 966	12. 2	49, 024	3, 811, 009	23. 6	33. 2
1936	184, 221	17, 088, 598	11. 6	41, 713	5, 336, 710	22. 6	31. 2
1937	182, 254	21, 639, 687	14. 3	44, 836	6, 851, 043	24. 6	31. 7
1938	155, 771	10, 159, 174	8. 8	30, 607	2, 431, 614	19. 6	23. 9
1939 [1]	94, 053	5, 251, 669	7. 7	23, 179	1, 597, 956	24. 6	30. 4
1940 [2]	193, 830	12, 528, 378	11. 0	62, 603	5, 033, 563	32. 3	40. 2

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Cordage: Quantities and values exported from the Philippines to all countries and to the United States, 1928–40

Year	Total exports		Ratio of total value of exports of cordage to total value of all Philippine exports	Exports to the United States		Ratio of quantity of exports of cordage to the United States to total quantity of such exports to all countries
	Quantity	Value		Quantity	Value	
	Pounds		*Percent*	*Pounds*		*Percent*
1928	14, 494, 705	$1, 775, 436	1. 1	5, 393, 029	$721, 121	37. 2
1929	15, 667, 016	1, 904, 272	1. 2	6, 850, 770	932, 731	43. 7
1930	13, 858, 457	1, 553, 227	1. 2	6, 769, 412	841, 565	48. 8
1931	10, 224, 805	887, 408	.9	4, 599, 113	460, 001	45. 0
1932	8, 451, 224	859, 047	.7	4, 447, 882	411, 207	52. 6
1933	12, 907, 781	906, 768	.9	6, 876, 227	567, 340	53. 3
1934	18, 339, 701	1, 334, 110	1. 2	8, 943, 167	785, 053	48. 8
1935	17, 651, 445	1, 161, 815	1. 2	8, 053, 278	628, 959	45. 6
1936	14, 561, 103	1, 198, 870	.8	3, 918, 022	449, 692	26. 9
1937	16, 449, 336	1, 436, 461	.9	4, 660, 333	495, 967	28. 3
1938	15, 315, 656	1, 199, 031	1.0	3, 236, 697	333, 468	21. 1
1939 [1]	10, 767, 751	764, 060	1. 1	3, 903, 449	326, 958	36. 3
1940 [2]	21, 672, 210	1, 725, 977	1. 5	5, 348, 664	568, 381	24. 7

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Position of Philippine cordage in the United States market.—In the 5 years 1936–40, about 32 percent of the quantity and 39 percent of the value of cordage exported from the Philippine Islands was sent to the United States. In that same period 26 percent of the quantity and 33 percent of the value of abaca fiber exported from the Philippines was sent to the United States. The annual average value of the fiber shipments to the United States was $4,834,000 and of cordage shipments $549,000.

All but a small part of the United States imports of cordage products from the Philippine Islands has consisted of rope and all but a small part of the rope has been made of abaca (manila) fiber. United States imports of all kinds of hard-fiber rope averaged about 6,500,000 pounds per year in the 5 years 1936–40, and all but about 1,000,000 pounds per year of these imports originated in the Philippine Islands. Total imports of all hard-fiber rope in these 5 years probably supplied something less than 10 percent of United States consumption.

Beginning May 1, 1935, hard-fiber cordage products coming into the United States from the Philippine Islands have been subject to an absolute quota limitation of 6,000,000 pounds per year.

Competitive aspects.—Production of hard-fiber rope in the United States fluctuated rather widely in the period of 10 or 15 years before the war, but these fluctuations were due more to changes in general economic conditions than to increases or decreases in the quantity of imports.

Although United States imports of hard-fiber cordage products from the Philippine Islands before the war consisted almost entirely of rope, the Philippines is a potential source of other products, such as binding twine, wrapping twine, etc. This is evident from the fact that a large part of the United States production of binding twine and almost all of the wrapping twine and other hard-fiber cordage products is made in the same mills which produce rope. Equipment used in spinning hard-fiber rope yarns is also suitable for use in spinning hard-fiber yarns for other uses or purposes.

Before the 6,000,000-pound quota limitation United States imports of hard-fiber cordage products from the Philippines had been increasing. They averaged 3,000,000 pounds per year in the 5 years ended with 1924, 6,000,000 pounds per year in the 5 years ended with 1929, and 7,000,000 pounds per year in the 5 years ended with 1934. In 1935 they were 11,000,000 pounds, but the impending quota limitation probably accounts, in part at least, for the large 1935 imports.

CIGARS AND TOBACCO

Importance of tobacco in the Philippine economy.—Tobacco has been an important crop in the Philippine Islands since the introduction of its culture by the Spanish in the latter part of the sixteenth century. In recent years the country has been among the 10 ranking producing countries of the world. Tobacco is grown throughout the islands, but that produced in certain areas of Luzon, especially in the Cagayan Valley, is the most important and has the highest quality.

About 90 percent of the tobacco grown is cigar-filler type. It is produced on about 75,000 small farms and 15 large plantations. In prewar years it represented a total investment of about $21,000,000, of which Filipinos owned about 97 percent. Tobacco growing ac-

counted for about 1.5 percent of the cultivated land in the islands and approximately 500,000 people were dependent on its production for their livelihood.

The manufacturing of tobacco products in the Philippine Islands represented an investment of a little over $9,000,000 during the prewar period. In 1936 Spanish interests controlled 65 percent of the capital invested, with Swiss, Americans, and Chinese controlling most of the remainder. The most important product is cigars, although other products, principally cigarettes, are produced for domestic consumption. It is estimated that the manufacturing industry employed about 20,000 factory workers. Except in the production of cigarettes, there is little mechanization in the industry.

The annual exports of tobacco and tobacco products in the period 1936–40 averaged 5.5 million dollars and represented about 4 percent of the value of all Philippine exports. This compares to an average of 7.3 million dollars, or 6 percent of the value of the total exports, for the 10-year period 1926–35. Cigars have comprised the bulk of the value of the tobacco exports. About 65 percent of the total number of cigars produced on the island were exported.

The general character of the Philippine export trade in tobacco and tobacco products is shown in the following table:

Tobacco and tobacco products: Exports from the Philippines to all countries 1926–40

Year	Leaf tobacco		Cigars		Value of all other tobacco products (in thousands) [1]	Total value (in thousands)	Ratio of tobacco exports to total Philippine exports (percent)
	Quantity (in thousands of pounds)	Value (in thousands)	Quantity (in thousands)	Value (in thousands)			
1926	31,602	$2,618	247,711	$5,622	$289	$8,632	6.3
1927	51,990	3,919	207,579	4,652	338	8,909	5.7
1928	44,571	3,029	220,884	4,765	777	8,571	5.7
1929	60,801	4,392	188,333	3,825	573	8,790	5.3
1930	45,791	3,726	178,561	3,545	565	7,836	5.9
1931	49,941	3,502	183,874	3,395	524	7,421	7.1
1932	47,664	2,822	182,575	3,231	347	6,400	6.7
1933	37,250	1,843	196,141	3,158	177	5,178	4.9
1934	28,943	1,391	222,820	3,606	197	5,194	4.7
1935	49,398	2,308	228,117	3,399	295	6,002	6.4
1936	31,840	2,267	178,334	2,746	232	5,245	3.8
1937	17,804	1,243	204,620	3,072	668	4,983	3.3
1938	21,689	1,423	196,694	3,025	517	4,965	4.3
1939 [2]	23,598	1,841	91,452	1,389	404	3,634	5.3
1940 [3]	18,969	1,387	217,515	3,433	1,178	5,998	5.3

[1] "All other tobacco" consists largely of stripped filler and scrap.
[2] January to June 1939 only.
[3] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

The United States and Spain have been the leading export markets for Philippine tobacco and tobacco products. Spain has been the most important buyer of leaf tobacco and the United States has absorbed the bulk of the cigars exported. Of the total exports, those to the United States accounted for about 50 percent of the value for 1926–35 and Spain for 26 percent. During the 5-year period 1936–40, the United States became relatively more important, accounting for 61 percent of the total value of exports; Spain accounted for a smaller proportion than formerly—15 percent. Other foreign markets included Belgium, China, France, Japan, and the Netherlands.

Position of Philippine tobacco and tobacco products in the United States.—Under the Tariff Act of 1930, as in previous acts, unmanufactured tobacco and tobacco products of the Philippine Islands were admitted into the United States free of duty. By the terms of the Philippine Independence Act, as amended, duty-free quotas beginning in 1940 were established for both cigars and cigar filler and scrap tobacco. The quota was 200,000,000 cigars in 1940 with provision for successive reduction by 5 percent for each following year until 1946. Similar provision was made for cigar filler and scrap tobacco with a duty-free quota of 4.5 million pounds in 1940. By amendatory legislation, the quotas for 1940 remained applicable for 1941 and 1942. The quotas have never been filled, and imports practically ceased at the time of the Japanese invasion.

The tobacco and tobacco products exported to the United States have consisted almost entirely of cigars and scrap tobacco. Cigars during the prewar years accounted for nearly 85 percent of the total value of such products. Most of them were low in unit value and were sold in the United States in the lowest-price brackets retailing for 2 for 5 cents. They usually accounted for between 3 and 4 percent of the total cigars consumed in the United States. The scrap tobacco, also relatively low in price, was imported into the United States for use in the domestic manufacture of short-filler cigars.

The quantities and values of the cigars and scrap tobacco (including stripped filler and cigar ends) exported from the Philippine Islands to the United States are shown in the following tables:

Cigars: Quantities and values exported from the Philippines to all countries and to the United States, calendar years 1928–40

Year	Total exports		Ratio of total value of exports of cigars to total value of all Philippine exports	Exports to the United States		Ratio of quantity of exports of cigars to the United States to total quantity of such exports to all countries
	Quantity	Value		Quantity	Value	
	Number		*Percent*	*Number*		*Percent*
1928	220, 884, 441	$4, 765, 140	3. 1	179, 569, 767	$3, 885, 672	81. 3
1929	188, 333, 006	3, 824, 649	2. 3	150, 945, 425	3, 013, 355	80. 1
1930	178, 560, 744	3, 545, 223	2. 7	144, 767, 520	2, 810, 279	81. 1
1931	183, 873, 661	3, 395, 337	3. 3	158, 520, 284	2, 885, 366	86. 2
1932	182, 574, 853	3, 231, 218	3. 4	164, 615, 726	2, 885, 524	90. 2
1933	196, 141, 404	3, 157, 933	3. 0	180, 714, 153	2, 823, 117	92. 1
1934	222, 820, 144	3, 605, 510	3. 3	203, 895, 812	3, 231, 772	91. 5
1935	223, 117, 286	3, 399, 380	3. 6	204, 013, 225	3, 030, 218	91. 4
1936	178, 334, 078	2, 746, 327	1. 9	158, 977, 240	2, 372, 181	89. 1
1937	204, 619, 993	3, 072, 360	2. 0	181, 378, 340	2, 667, 606	88. 6
1938	196, 694, 466	3, 024, 614	2. 6	180, 237, 307	2, 695, 306	91. 6
1939 [1]	91, 451, 973	1, 389, 112	2. 0	81, 985, 936	1, 222, 318	89. 6
1940 [2]	217, 514, 788	3, 433, 153	3. 0	199, 189, 148	3, 105, 217	91. 6

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Scrap tobacco, stripped filler, and cigar ends: Quantities and values exported from the Philippines to all countries and to the United States, calendar years 1928–40

Year	Total exports		Ratio of total value of exports of scrap tobacco, etc., to total value of all Philippine exports	Exports to the United States		Ratio of quantity of exports of scrap tobacco, etc., to the United States to total quantity of such exports, to all countries
	Quantity	Value		Quantity	Value	
	Pounds		*Percent*	*Pounds*		*Percent*
1928	4, 799, 322	$538, 922	0. 3	4, 377, 092	$504, 143	91. 2
1929	4, 032, 524	412, 066	. 3	3, 679, 592	382, 648	91. 2
1930	4, 487, 939	491, 674	. 4	4, 368, 530	482, 982	97. 3
1931	3, 750, 097	474, 648	. 5	3, 728, 223	472, 721	99. 4
1932	2, 856, 227	309, 890	. 3	2, 848, 753	309, 310	99. 7
1933	1, 796, 899	143, 462	. 1	1, 750, 362	139, 966	97. 4
1934	2, 105, 201	157, 311	. 1	1, 616, 089	122, 324	76. 8
1935	3, 267, 599	270, 124	. 3	3, 022, 165	252, 003	92. 5
1936	2, 355, 161	202, 403	. 1	2, 159, 593	186, 644	91. 7
1937	7, 224, 794	637, 243	. 4	7, 011, 790	618, 382	97. 0
1938	4, 268, 818	431, 434	. 4	4, 099, 994	416, 220	96. 0
1939 [1]	3, 874, 457	382, 992	. 6	3, 835, 687	380, 104	99. 0
1940 [2]	12, 449, 325	1, 110, 507	1. 0	12, 362, 228	1, 100, 868	99. 3

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

Competitive situation.—The cigars and scrap tobacco imported into the United States in the past have largely been brought in because of their relatively low prices. Although Philippine cigars have characteristics that are highly esteemed by some smokers, in general the demand for them is dependent on their relatively low price. They complete with the domestic machine-made product and have been among the cheapest cigars obtainable in the United States. Philippine scrap tobacco, a byproduct of the cigar industry, is used for blending and competes chiefly with the lower grades of domestic filler tobacco.

PEARL BUTTONS

Buttons of pearl or shell are a minor export of the Philippines, accounting in prewar years usually for less than one-half of 1 percent of total Philippine exports. Inasmuch as they are directly competitive with comparable buttons produced in the United States, a quota is provided in the bill limiting the amount that can be imported. In the prewar period, United States imports of pearl buttons from all sources amounted to about 5 percent of domestic production. The following table shows the quantity and value of pearl buttons exported from the Philippines in recent years.

Pearl buttons: Exports from the Philippines, 1928–40

Year	Quantity	Value	Value per gross	Year	Quantity	Value	Value per gross
	Gross		*Cents*		*Gross*		*Cents*
1928	843, 231	$385, 857	45. 8	1935	694, 161	$237, 397	34. 2
1929	750, 098	382, 898	51. 0	1936	680, 829	218, 516	32. 1
1930	850, 074	380, 140	44. 7	1937	776, 024	274, 510	35. 4
1931	841, 982	366, 783	43. 6	1938	578, 254	212, 916	36. 8
1932	739, 821	243, 667	32. 9	1939 [1]	338, 916	118, 565	35. 0
1933	836, 237	270, 753	32. 4	1940 [2]	816, 568	265, 001	32. 5
1934	713, 886	242, 838	34. 0				

[1] January to June 1939 only.
[2] Fiscal year from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs.

United States-Philippine Trade

General character of trade.—Although the trade of the Philippines prior to 1898 was retarded as a result of Spanish restrictions, it developed rapidly after American occupation and particularly with the United States, as is shown in the following table. Of the total value of the combined import and export trade of the Philippines, the United States accounted for 11 percent in 1900, 41 percent in 1910, 65 percent in 1920, 72 percent in 1935, and 73 percent in 1939.[3]

Exports from the Philippines to the United States have advanced more rapidly than have imports from the United States into the islands. The Philippines purchased annually from the United States on the average 9 percent of their total imports in the period 1899–1901, 42 percent in 1909–14, and 64 percent in 1930–33. Since 1927 they have never purchased from the United States less than 58 percent of their total annual imports, ranging in most years from 62 to 68 percent. They sold to the United States on an average 18 percent of their total annual exports in the years 1899–1901, 35 percent in 1905–9, 73 percent in 1923–28, 82 percent in 1930–32, 83 percent during 1933–35, and 78 percent in 1939.

Sales by the Philippines to the United States have generally been greater in value than their purchases from the United States. This condition was reversed for only a few years following the establishment of United States-Philippine free trade in 1909, for 2 years during World War I, and in 1938 and 1940. Even prior to American occupation in 1898, the Philippines maintained a credit trade balance with the United States.

[3] The relative participation of the United States in the import trade of the Philippines for the period prior to July 1, 1910, is not strictly comparable with that for the period following. Importations for the account of the U. S. Government services were first included in statistics of Philippine imports on that date.

Trade of the Philippine Islands with all countries and with continental United States, 1899–1940

[General exports and imports, excluding gold and silver ore, bullion, and coin]

[Values in thousands of dollars; i. e., 000 omitted]

Year or average	Philippine exports			Philippine imports		
	To all countries	To continental United States	Percent to United States	From all countries	From continental United States	Percent from United States
Average 1899–1901 (3 years)	20, 780	3, 814	18	24, 740	2, 347	9
Average 1902–June 30, 1909 (7½ years)	31, 598	11, 883	38	30, 279	4, 759	16
Average July 1909–14 (5½ years)[1]	46, 653	20, 030	43	49, 892	20, 834	42
Average 1915–18 (4 years)	88, 637	52, 921	60	64, 801	36, 422	56
Average 1919–22 (4 years)	111, 985	69, 084	62	116, 028	72, 412	62
1923	120, 753	85, 047	70	87, 500	50, 353	58
1924	135, 345	97, 314	72	108, 011	60, 399	56
1925	148, 877	109, 045	73	119, 733	69, 298	58
1926	136, 884	100, 003	73	119, 299	71, 576	60
1927	155, 574	116, 038	75	115, 851	71, 478	62
1928	155, 055	115, 586	75	134, 657	83, 858	62
1929	164, 447	124, 465	76	147, 160	92, 593	63
1930	133, 167	105, 342	79	123, 093	78, 183	64
1931	103, 972	83, 422	80	99, 179	62, 140	63
1932	95, 338	82, 648	87	79, 395	51, 298	65
1933	105, 771	91, 313	86	67, 361	43, 540	65
1934	110, 404	91, 844	83	83, 607	54, 376	65
1935	94, 246	74, 936	80	85, 524	54, 367	64
1936	136, 445	107, 525	79	101, 126	61, 497	61
1937	151, 266	120, 743	80	109, 026	63, 302	58
1938	115, 795	89, 445	77	132, 608	90, 357	68
1939[2]	68, 015	53, 293	78	49, 973	32, 386	65
1940[3]	113, 412	84, 825	75	144, 586	107, 501	74

[1] Beginning July 1, 1910, figures include importations into the Philippines for account of U. S. Government services.
[2] January to June 1939 only.
[3] Fiscal year, from July 1, 1939, to June 30, 1940.

Source: Annual reports, insular collector of customs. Peso values have been converted into dollar values at the ratio—1 peso=U. S. $0.50.

The United States as a market for Philippine products.—During 1935, Philippine exports to the United States were valued at $74,935,537. This constituted 80 percent of the value of their aggregate exports to all countries. In the preceding year their exports to the United States amounted to $91,843,594 or 83 percent of the total to all countries, and in the fiscal year ending June 30, 1940, their exports to the United States amounted to $84,825,000 or 75 percent of the total to all countries.

Sugar has been much the most important export in terms of value to the United States for a number of years. It accounted for almost $33,000,000 or 44 percent of the total exports from the islands to the United States in 1935. Because of shipments made in 1934 in excess of the quantities which could be entered under the quota, the sugar shipments from the Philippines to the United States were considerably smaller in 1935 than in the immediately preceding years. Shipments to the United States in 1934, for example, amounted to approximately $65,000,000 or over 71 percent of the total exports from the Philippines to the United States; in the fiscal year 1939–40 they amounted to $39,466,000, or about 47 percent of the total exports from the Philippines to the United States. Practically all of the Philippine exports of sugar products, with the exception of small quantities of molasses, sirup, and alcohol, are sold in the United States.

The United States provides both absolutely and relatively a smaller market for Philippine coconut products than for sugar products.

Nevertheless, practically all of the coconut oil and desiccated coconut and about two-thirds of the copra shipped from the islands are generally sold in the United States. And about 50 percent of the total copra cake and meal exported was sold in this market in 1939 and 1940.

The islands in recent years have exported a somewhat smaller share of their total exports of abaca (manila) and of cordage to the United States than was generally the case in the years prior to 1931. In 1935–39, they shipped to the United States about 30 percent of their total abaca fiber exports and 40 percent of their total cordage exports.

The annual values of Philippine exports of tobacco products to the United States fluctuated only within small limits between 1929 and 1935. These exports, however, constituted an increasing share of the total exports of tobacco products from the Philippines to all countries, inasmuch as these latter fell steadily during this period until 1935, when they rose again. In that year, 55 percent of the total exports of tobacco products from the islands went to the United States. Between 1935 and 1940 the share of the United States was, in most years, larger than in 1935.

Other important Philippine exports for which the United States provides a relatively large market are embroideries, timber and lumber, hats, cutch, pearl buttons, and canned pineapple. With the exceptions of hats, and timber and lumber, practically all of the exports of these commodities from the Philippines are regularly shipped to the United States. Generally 50 percent or more of the hats are shipped to the United States, and 10 to 20 percent or more of the timber and lumber.

The above-mentioned Philippine products in 1935 accounted for 98 percent of the total exports from the islands to the United States, and for 95 percent of their total exports to all countries. The remaining exports consisted of a wide variety of miscellaneous products.

United States imports from the Philippines amounted to $96,973,000 in 1935 and $90,000,000 in the fiscal year ending June 30, 1940; these purchases accounted for 4.8 and 3.5 percent, respectively, of the United States total imports.[4] The Philippines ranked seventh in importance in 1935 and ninth in 1940 among United States suppliers. Of the United States total imports in 1935 of the following specified commodities from all countries, the Philippines supplied approximately 95 percent of the coconut products, 85 percent of the tobacco manufactures, 39 percent of the sugar (Hawaiian and Puerto Rican production being included with that of continental United States), 75 percent of the sawed cabinet woods, 15 percent of the straw hats, and 77 percent of the cotton embroideries.

The following trends are discernible from an examination of Philippine export statistics:

(1) From the beginning of American occupation until 1929, the Philippines steadily increased the value of their exports to the United States. The exports then declined until 1932, rose for the next 2 years, and declined sharply again in 1935. Both the relative and absolute declines in exports to the United States for 1935 were due largely to the sharply curtailed sugar shipments for that year. In 1936–37 exports to the United States increased sharply, reaching the

[4] Foreign Commerce and Navigation of the United States. This figure does not correspond with that given elsewhere for Philippine exports to the United States, inasmuch as this latter was obtained from Philippine statistics.

1929–30 level. Thereafter they declined somewhat. In terms of their exports to all markets, the Philippines steadily increased the annual share sold to the United States from the beginning of American occupation until 1932, when 87 percent of their total exports went to the United States. In the period 1935–40 the share has ranged between 75 and 80 percent.

(2) Sugar has increased both absolutely and relatively among the Philippine exports to the United States. As late as 1928, it constituted only 40 percent of the total exports from the Philippines to the United States, whereas in 1934 it accounted for 71 percent of the total and in 1939–40 it amounted to 47 percent.

(3) Besides sugar, several other important Philippine exports which receive substantial protection in the United States markets have increased in relative importance among the shipments from the islands to the United States in recent years. Among these are desiccated coconut, coconut oil, and cordage.

The following table shows exports to the United States, by principal commodities, in 1934, 1935, and 1939–40.

Values of principal Philippine exports to the world and amounts thereof exported to the United States, 1934, 1935, and 1939–40 (fiscal year ending June 30, 1940)

Commodity	1934		1935		1939–40	
	Total	To the United States	Total	To the United States	Total	To the United States
Sugar	$65, 454, 580	$65, 444, 993	$32, 990, 680	$32, 949, 717	$39, 495, 000	$39, 466, 000
Coconut oil	6, 794, 871	6, 396, 557	12, 154, 003	12, 004, 053	10, 342, 000	8, 622, 000
Abaca	8, 661, 568	2, 695, 896	11, 473, 967	3, 811, 010	12, 528, 000	5, 034, 000
Copra	8, 605, 125	3, 900, 060	10, 987, 330	9, 106, 010	13, 472, 000	7, 998, 000
Tobacco and products	4, 996, 556	3, 363, 856	6, 001, 829	3, 288, 565	5, 998, 000	4, 426, 000
Embroideries	2, 666, 421	2, 659, 122	4, 996, 280	4, 989, 318	4, 695, 000	4, 691, 000
Desiccated coconut	2. 254, 540	2, 253, 236	3, 962, 315	3, 941, 938	4, 366, 000	4, 357, 000
Timber or lumber	2, 171, 400	774, 941	2, 511. 760	972, 487	3, 324, 000	946, 000
Copra cake and meal	1, 051, 120	447, 310	1, 639, 424	617, 680	2, 095, 000	1, 157, 000
Cordage	1, 335, 047	785, 328	1, 161, 815	628, 959	1, 726, 000	568, 000
Hats	1, 141, 872	697, 584	474, 821	240, 125	23, 000	16, 000
Buntal fiber	302, 334	490	278, 337	------------	160, 000	160, 000
Cutch	252, 841	252, 841	267, 375	267, 375	------------	------------
Pearl buttons	242, 838	242, 774	237, 397	237, 397	265, 000	265, 000
Canned pineapple	409, 244	409, 244	157, 398	157. 398	2, 363. 000	2, 363, 000
All other commodities	4, 063, 278	1, 519, 362	4, 950, 949	1, 724, 051	12, 560, 000	4, 756, 000
Total	110, 403, 635	91, 843, 594	94, 245, 680	74, 935, 537	113, 412, 000	84, 825, 000

Source: Annual reports, insular collector of customs.

The Philippines as a market for United States products.—Imports into the Philippines from the United States in 1935 amounted to $54,366,500. This constituted nearly 64 percent of the value of the total purchases by the islands from all countries. In the fiscal year 1939–40, the imports from the United States amounted to $107,501,000 or 74 percent of the total imports into the islands.

The chief import from the United States in 1935 consisted of iron and steel products. Their value amounted to $8,516,040 or about 16 percent of the total imports from the United States. These imports also represented about 77 percent of the aggregate imports of iron and steel products into the islands from all countries. The second most important import from the United States consisted of cotton goods. Their value totaled $6,767,471 during 1935, or 44 percent of the imports of such materials from all countries. Mineral oil (petroleum) ranked third in importance, and the United States sup-

plied 87 percent of the total imported from all countries; tobacco products ranked fourth, with the United States supplying almost 99 percent of the total. Automobiles and parts (exclusive of rubber tires) were next, the imports from the United States accounting for over 99 percent of the total from all countries. Electrical machinery and apparatus, chemicals and drugs, dairy products, rubber and manufactures thereof, and unprinted paper ranked next, the United States supplying 86, 67, 53, 88, and 66 percent, respectively, of the totals of these imports from all countries.

Other important Philippine imports of which the United States was a major supplier in 1935 were wheat flour, fertilizer, leather and its manufactures, fruits and nuts, silk manufactures, meat products, fish products, and vegetables. The United States supplied in each case 40 percent or more of the total imports of these goods from all countries.

The chief imports from the United States in 1939–40 consisted of about the same commodities in about the same order of importance as in 1935. For most of these products imports from the United States accounted for somewhat larger percentages of the total imports from all countries than in 1935. Cotton goods showed a much greater increase than other commodities, accounting for 73 percent of the total Philippine imports of cotton goods from all countries in 1939–40 compared with only 44 percent in 1935.

The above-mentioned articles, in 1935, accounted for 83 percent of the total imports into the Philippines from the United States and for 78 percent of their total imports from all countries. In 1939–40 they accounted for 85 percent of the total from the United States and 63 percent of total Philippine imports from all countries.

The following table shows imports into the Philippines from the United States by principal commodities in 1934, 1935, and 1939–40.

Values of principal Philippine imports to the world and amounts thereof imported from the United States, 1934, 1935, and 1939–40 (fiscal year ending June 30)

Commodity	1934		1935		1939-40	
	Total	From the United States	Total	From the United States	Total	From the United States
Cotton goods	$15, 621, 460	$7, 822, 554	$15, 299, 921	$6, 767, 471	$20, 562, 000	$14, 927, 000
Iron and steel and manufactures	11, 411, 504	8, 887, 434	11, 088, 419	8, 516, 040	23, 546, 000	20, 835, 000
Mineral oil	6, 223, 722	5, 500, 688	7, 442, 514	6, 486, 532	11, 548, 000	9, 314, 000
Tobacco products	2, 926, 901	2, 857, 329	3, 750, 280	3, 696, 087	9, 343, 000	9, 269, 000
Automobiles and parts	3, 977, 655	3, 880, 779	3, 600, 224	3, 581, 046	5, 677, 000	5, 575, 000
Dairy products	2, 911, 344	2, 083, 209	3, 076, 362	1, 625, 290	4, 522, 000	1, 322, 000
Wheat flour	2, 623, 604	1, 816, 910	2, 855, 627	1, 222, 345	4, 486, 000	2, 918, 000
Chemicals, drugs, dyes, and medicines	2, 417, 182	1, 695, 221	2, 577, 318	1, 724, 789	4, 671, 000	3, 408, 000
Silk, rayon, and manufactures	2, 301, 825	1, 176, 220	2, 425, 700	970, 566	5, 085, 000	4, 268, 000
Electrical machinery, apparatus, and appliances	2, 170, 099	1, 877, 939	2, 153, 668	1, 857, 808	4, 642, 000	4, 219, 000
Paper, unprinted	2, 192, 210	1, 543, 766	2, 122, 078	1, 395, 877	4, 812, 000	4, 088, 000
Fertilizers	2, 254, 491	746, 421	1, 810, 096	1, 146, 399	2, 366, 000	1, 262, 000
India rubber and manufactures	1, 720, 441	1, 601, 083	1, 664, 242	1, 464, 752	3, 242, 000	2, 863, 000
Vegetables	1, 405, 149	720, 873	1, 639, 239	767, 822	2, 181, 000	1, 309, 000
Meat products	1, 204, 357	686, 911	1, 576, 550	940, 432	1, 485, 000	736, 000
Fish and fish products	1, 351, 423	840, 609	1, 360, 835	704, 552	1, 998, 000	1, 458, 000
Fruits and nuts	1, 156, 978	888, 594	1, 322, 508	990, 956	1, 524, 000	1, 180, 000
Leather and manufactures	1, 209, 983	1, 133, 027	1, 063, 691	1, 011, 594	1, 544, 000	1, 464, 000
All other	18, 526, 692	8, 616, 111	18, 694, 578	9, 496, 142	31, 352, 000	17, 081, 000
Total	83, 607, 110	54, 375, 678	85, 523, 850	54, 366, 500	144, 586, 000	107, 501, 000

Source: Annual reports, insular collector of customs.

The Philippines ranked twelfth among the principal export markets for United States goods in 1935, exports to the islands in that year being valued at $52,560,041,[5] or 2.3 percent of the total exported to all countries. In 1940 the Philippines ranked ninth, United States exports to that market being valued at $93,176,443,[5] or 2.4 percent of the total exports to all markets.

In 1935, the Philippines ranked first among the export markets of the United States for galvanized iron and steel sheets, cigarettes, canned milk and cream, ready-mixed paints, and soap; and they ranked second for cotton cloth (colored, bleached, and unbleached), wheat flour, and canned fish.

The Philippines annually increased the value of their purchases from the United States from the beginning of American occupation until the end of 1929. Their purchases then declined until 1933, rose again in 1934, and receded slightly in 1935. Between 1935 and 1940 Philippine imports from this country increased substantially. In terms of their total purchases from all countries, the Philippines steadily increased the share obtained from the United States from the beginning of American occupation through 1934, the share declining slightly for 1935, then increasing in the latter part of the period 1935–40.

Japanese competition.—The increase in sales of Japanese goods in the Philippines, though substantial, has not been as large as is sometimes represented, nor has it been accompanied by a corresponding decline in the total sales of American goods. The general misconceptions concerning these matters have their bases largely in the use of Philippine statistics compiled in terms of "dutiable values," and in the making of misleading comparisons. For instance, imports from Japan in 1933, officially reported at the equivalent of $9,500,000, or 13 percent of total imports into the Philippines for the year, were found to have been only $5,682,000 when statistics were calculated on market values.

In most years from 1920 to 1935 the imports into the Philippines from Japan amounted to from 8 to 15 percent of the total imports. In 1928 the islands imported 9½ percent of the total from Japan, but in the following year only 8 percent. Japan did not share in the increase in the total import trade of the Philippines for 1929. In 1930, however, Japanese goods accounted for 10½ percent of the total imports into the Philippines and in 1931, for 11 percent of the total. In 1932, when the Chinese boycott of Japanese goods was at its height, Japan supplied slightly less than 8 percent of the imports into the islands.

In 1932 Japanese firms commenced to expand their retail outlets in the Philippines. This, in conjunction with the marked depreciation of the yen and waning of the boycott, greatly assisted in increasing Japanese sales in the islands. In 1933 Japanese goods accounted for 8½ percent of the total imports into the Philippines; in 1934 they accounted for 12½ percent; in 1935–37, for over 14 percent; in 1938, 10 percent; in 1939, 8 percent; and in 1940, 5 percent.

The increase in the value of the sales of Japanese goods in the Philippines during the period 1930–35 was accompanied by a decrease in the sales of a number of individual American products, but not by

[5] This figure is taken from United States statistics of exports to the Philippines and therefore does not correspond with the previously cited value of Philippine imports from the United States taken from Philippine statistics.

an appreciable decrease in the relative value of United States aggregate sales in the islands. Japan supplied a larger percentage of the total imports into the Philippines in 1935 than in any preceding year, but the United States also supplied a larger percentage in 1935 than it had on the average for the preceding decade (1925–34), when its relative participation in the Philippine import trade was higher than in any previous period. In terms of value, the rising importance of Japan as a supplier of Philippine imports prior to 1938 was accompanied by the declining importance of countries other than the United States.

Philippine balance of trade with United States and with world.—Both before and since the American occupation, the Philippines have almost invariably sold goods to the United States to a value in excess of their purchases from the United States. For only a few years following the inauguration of duty-free trade in 1909 and for a few scattered years during and after World War I and in 1938 and 1940 were Philippine imports from the United States in excess of Philippine exports to the United States. Accompanying the customary credit balance of trade with the United States, the Philippines have also had a credit balance of trade with the other countries of the world considered collectively.

The status of the balance of trade between the United States and the Philippines has frequently been regarded as an index of the profitableness of the trade to the one country or the other. The country having the credit balance has been considered the gainer, and the other country the loser. This inference, however, is not warranted. In the trade of the United States with the Philippines the customary excess of imports over exports has simply given rise to a triangular (or a polyangular) trade in which the United States has paid for this excess of imports largely by exporting goods to other countries in greater value than it has imported from them. These countries in turn, either directly or through still other countries, have exported greater values of goods to the Philippines than they have imported from them. The status of the merchandise balance of trade between the Philippines and the United States, therefore, is not of controlling significance in respect of the gains or losses, accruing to either country. Moreover, the trade balance of the Philippines with the United States not only affects and is affected by the trade balances with all other countries but it is influenced also by the extent to which gold shipments, service items, capital movements, and other factors enter into the trade of the islands with the United States and with all other countries. In consequence, the Philippine balance of merchandise trade with the United States must be considered not only in its relation to the balance of merchandise trade with the world as a whole but in its relation to the balance of payments with the United States and with the world as a whole.

The Philippines balance of merchandise trade from 1909 to 1940 is shown in the following table.

Balance of merchandise trade between the Philippines and all countries and between the Philippines and the United States, 1909–40

[Values in thousands of dollars; i. e., 000 omitted]

Year or average	Excess of exports (+), excess of imports (−)	
	Trade with all countries	Trade with continental United States
Average 1899–1901 (3 years)	−$3,960	+$1,467
Average 1902–June 30, 1909 (7½ years)	+1,319	+7,124
Average July 1909–14 (5½ years) [1]	−3,239	−804
Average 1915–18 (4 years)	+23,836	+16,499
Average 1919–22 (4 years)	−4,043	−3,328
1923	+33,253	+4,694
1924	+27,334	+6,915
1925	+29,144	+39,747
1926	+17,585	+28,427
1927	+39,723	+44,560
1928	+20,398	+31,728
1929	+$17,287	+$31,872
1930	+10,074	+27,159
1931	+4,793	+21,282
1932	+15,943	+31,350
1933	+31,090	+47,773
1934	+26,797	+37,468
1935	+8,722	+20,569
1936	+35,319	+46,028
1937	+42,240	+57,441
1938	−16,813	−912
1939	+18,042	+20,907
1940	−31,174	−22,676

[1] Beginning July 1, 1910, figures include importations into the Philippines for account of U. S. Government services.

Source: Annual reports, insular collector of customs. Peso values have been converted into dollar values at the ratio, 1 peso equals U. S. $0.50.

History of Philippine-United States Tariff Relations

After the Philippine Islands came under the military control of the United States, the President, on July 12, 1898, issued an order providing for the enforcement by the military power of a system of tariff duties. The order did not go into effect until November 1898. The duties imposed by this tariff were levied on goods coming into the Philippine Islands, whether from the United States or other countries. This tariff was continued in force after the ratification of the peace treaty on April 11, 1899, but was held to be without effect by the Supreme Court of the United States so far as shipments from the United States were concerned, after the ratification of the treaty of peace. (Cf. *United States* v. *Heinszen* (1907) 206 U. S. 370.)[6] Conversely, post-treaty Philippine shipments to the United States were held to be duty free (ibid.). The tariff promulgated by the military government was adopted and continued by the Philippine commission appointed by the President, in an enactment dated September 17, 1901, and this enactment was adopted by the United States Congress in the act of March 8, 1902 (32 Stat. 54; ch. 140). The act of March 8, 1902, also imposed the United States tariff upon goods coming from the Philippines, except that Philippine products were granted a reduction of 25 percent from the rates specified in the United States tariff. Products of the United States entering the Philippines were not accorded any preferential tariff treatment at that time.

Reciprocal free trade, subject to certain restrictions, was first instituted between the United States and the Philippines by the provisions of the United States Tariff Act (36 Stat. 11; ch. 6) and the Philippine Tariff Act (36 Stat. 130; ch. 8), both dated August 5, 1909.

[6] Duty collections made prior to March 8, 1902, by the authorities of the military government in the Philippines were "legalized, ratified, and confirmed" by the appropriation act of June 30, 1906 (34 Stat. 636; ch. 3912).

The former imposed restrictions upon the annual quantities of Philippine sugar and tobacco products which might enter the United States duty-free; and it limited the maximum content of non-Philippine or non-American materials which might be embodied in Philippine manufactures if they were to be admissible duty-free into the United States to 20 percent of their total value, but no equivalent limitation was imposed on United States products shipped to the Philippines. Both the United States and Philippine Tariff Acts specifically exempted rice from duty-free treatment in either country; and they conditioned duty-free trade in other commodities to those receiving no draw-back of customs duty upon leaving the Philippines or the United States. The Philippine Tariff Act further provided that export duties would be abolished on shipments made to the United States.

The United States Tariff Act of October 3, 1913 (38 Stat. 114; ch. 16), strengthened the reciprocal free-trade relations between the islands and the United States. The quantity limitations upon duty-free sugar and tobacco products specified in the previous act were removed, inasmuch as they had never been even closely approximated. The provision that rice should not move duty-free between the islands and the United States was also eliminated; and all Philippine exports, irrespective of destination, were exempt from export duties. Congress did not pass a new Philippine tariff act at this time, but amended the Philippine Act of 1909 by provisions contained in the United States Tariff Act of 1913. The significant amendments were those mentioned above.

Until 1934, trade relations between the United States and the islands continued on substantially the same tariff basis as they were when the United States Tariff Act of 1913 first became effective. The United States Tariff Acts of September 21, 1922 (42 Stat. 858; ch. 356), and June 17, 1930 (46 Stat. 590; ch. 497), introduced no modifications of importance. The Philippine Tariff Act of 1909 has never been superseded, and it has been modified only slightly by subsequent United States legislation and by several acts of the Philippine Legislature. With few exceptions, present Philippine tariff schedules and rates are the same as those which were in force in 1909. Since many of the Philippine duties are specific, their ad valorem equivalents have changed considerably with the marked price shifts which have occurred since 1909.

The act of March 24, 1934 (48 Stat. 456; ch. 84), provided for a partial elimination by July 4, 1946, of the preference enjoyed by Philippine products in the United States (1) by limiting to fixed quotas the duty-free shipments of Philippine sugar, coconut oil, and cordage to the United States; and (2) by gradually eliminating during the period November 15, 1940, to July 4, 1946, 25 percent of the tariff preferences which Philippine products enjoy in the United States. This elimination was to be achieved by means of progressively increasing export taxes to be imposed on shipments to the United States of all Philippine products of the kinds on which duties are imposed by the United States, beginning with a rate equal to 5 percent of the United States import duty on November 15, 1940, and increasing by an additional 5 percent each year. Commencing July 4, 1946, all products from the Philippines entering the United States, in the absence of further legislation, were to be subject to the same

tariff treatment applying to similar goods originating in other foreign countries.

Before the Independence Act of March 24, 1934, became effective, the Jones-Costigan Act (48 Stat. 670; ch. 263), the Revenue Act of 1934 (48 Stat. 680; ch. 277), and the Cordage Act of 1935 (49 Stat. 340; ch. 240) were enacted. The Jones-Costigan Act, passed May 9, 1934, authorized the imposition of "absolute" quotas on Philippine sugar entering the United States. This act was superseded by the Sugar Act of 1937, which continued the provisions for the imposition of an absolute quota on Philippine sugar and is still in effect. The Revenue Act of 1934, effective May 10, 1934, provided for a processing tax of 3 cents per pound on coconut oil expressed from Philippine copra either in the islands or in the United States with provision for the remission of the taxes to the Philippine Treasury. (A tax of 5 cents per pound applied to the oil expressed from foreign copra, thus granting the Philippines a substantial and effective preferential rate.) This legislation is also still in effect. The Cordage Act of June 14, 1935, doubled the cordage quota provided for in the Independence Act, but changed it from a duty-free quota to an absolute quota. The Cordage Act remained in effect until May 1, 1941, after extension of its original term of 3 years by Presidential proclamation, as authorized in the act.

The Independence Act of 1934 was amended by the act of August 7, 1939 (53 Stat. 1226; ch. 502), and under the provisions of the amendatory act additional duty-free quotas were imposed on cigars, scrap and filler tobacco, and pearl or shell buttons. The duty-free quota on sugar was slightly modified with respect to the portion of the quota which may be shipped in the form of raw sugar, and provision was made for the continuation of the absolute quota on cordage after the expiration of the Cordage Act up to the date of independence. Sugar entered in excess of the duty-free quota as well as all other commodities of the kind subjected to duty-free quotas were exempted from the Philippine export taxes, and in lieu thereof the duty-free quotas (except the quota on sugar) were to be reduced by 5 percent beginning January 1, 1941, and by an additional 5 percent on each January 1 thereafter until 1946, so that by July 4, 1946, these quotas would have been reduced by 25 percent.

The act of December 22, 1941 (55 Stat. 852; ch. 617) suspended the export tax and the quota-reduction provisions of the Independence Act, as amended, during the period December 23, 1941, to December 31, 1942, and during the period of suspension the original quotas were restored. Export taxes and quota reductions resumed operation January 1, 1943, so that for the year 1945 Philippine products to which export taxes applied were subject to an export tax equal to 15 percent of the United States duties, and duty-free quotas (except sugar) were reduced by 15 percent. For the period January 1 to July 3, 1946, quotas were reduced to one-half the quotas for 1945.

DETAILED ANALYSIS OF BILL SECTION BY SECTION

TITLE I

SECTION 1. SHORT TITLE

This section provides that the act may be cited as the "Philippine Trade Act of 1946."

SECTION 2. DEFINITIONS

This section contains definitions which are to apply wherever the terms defined are used in the act. By virtue of section 406 these definitions and provisions in the nature of a definition (e. g., subsecs. (b), (c), and (d) of sec. 2) will apply to the provisions of titles II and III for the purpose of the agreement, which (under sec. 401) accepts all the provisions of these titles as the law of the United States and of the Philippines. Therefore, it will not be possible for the agreement to change the interpretation of these defined terms, which perform so important a function in the carrying out of the program of reciprocal trade relations between the two countries.

Person (*sec. 2* (*a*) (*1*)): The term "person" is defined to include partnerships, corporations, and associations, and, of course, includes individuals.

United States (*sec. 2* (*a*) (*2*)): The term "United States," when used in a geographical sense, is defined to mean the 48 States, the District of Columbia, the Territories of Alaska and Hawaii, and Puerto Rico. This definition is the same in legal effect as that used in the Tariff Act of 1930, as amended, in fixing the customs area of the United States.

Ordinary customs duty (*sec. 2* (*a*) (*3*)): The term "ordinary customs duty" is defined to mean a customs duty based on the article as such (whether or not the duty is also based on the use, value, or method of the production of the article, or on the amount of like articles imported, or on any other factor); but it is expressly provided that it does not include—

(1) A duty based on an act or omission of any person with respect to the importation, such as additional duties for undervaluation or for failure to mark to show the country of origin or a duty based on an act or omission of the country from which the article was exported, or from which it comes, such as a duty imposed because of discrimination; or

(2) A countervailing duty imposed to offset a subsidy, bounty, or grant; or

(3) An antidumping duty imposed to offset the selling of merchandise for exportation at a price less than the prevailing price in the country of export.

The term does not include any tax imposed on or in connection with importation unless the law of the United States or the Philippines,

as the case may be, designates it or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws; and taxes imposed on or in connection with importations which are not included as ordinary customs duties under this test are expressly (subsec. (a) (8) of this section) included as "internal taxes."

Two taxes on or in connection with importation which under this paragraph and such paragraph (8) would, unless specifically excepted, be "ordinary customs duties" and not "internal taxes," are expressly declared to be "internal taxes." These taxes are (1) section 3500 of the Internal Revenue Code relating to manufactured sugar and sugar products, and (2) so much of section 2491 (c) of the Internal Revenue Code as relates to products, 10 percent or more of which consists of or is derived from any of the oils (coconut, palm, and palm-kernel), fatty acids, or salts specified in section 2470 of the Internal Revenue Code.

These two taxes, although the law imposing them directs that they be treated as duties, are in fact compensatory for other internal taxes and are therefore not within the economic concept of "ordinary customs duties." The bill specifically excludes them from the scope of "ordinary customs duties" and such taxes will, therefore, apply in full to "Philippine articles" notwithstanding the provisions of sections 201 and 202. Philippine products will be protected against discrimination under such internal taxes to the extent provided by section 221, which is discussed later in this report.

Philippine article (sec. 2 (a) (4)): The term "Philippine article" is defined to mean a product of the Philippines; that is, an article which originated in the Philippines by growth or derivation from nature, as well as an article which has been fabricated or manufactured in the Philippines to such an extent that the finished product is identifiable as of Philippine origin even though some imported materials may have been used in the operation. This concept of "product" is similar to that which has been evolved over a long period of years under our draw-back laws (sec. 313 of the 1930 Tariff Act, as amended) under which refund of customs duties is made on the exportation of articles manufactured or produced in the United States with the use of imported duty paid materials.

Under the definition, an article produced with the use of materials imported into the Philippines from any foreign country other than the United States is nevertheless not a "Philippine article" if the aggregate value of such imported materials at the time of importation into the Philippines was more than 20 percent of the value of the article imported into the United States.

The imported materials used in the production of the article, whose value is to be included in determining whether or not their aggregate value was more than 20 percent of the value of the imported article, include materials used at any stage of the chain of production whereby raw materials are through successive stages of manufacture converted into an article imported into the United States.

The last sentence of the definition of "Philippine article" assures that raw materials which have been brought into the Philippines and processed through two or more stages of manufacture shall be considered as having been used in the production of the article ultimately produced. For example, if silk cocoons are imported into the Philip-

pines from Japan and are progressively processed in the Philippines into raw silk, into silk yarns, into silk cloth, which in turn is made in the Philippines into a dress, the dress is considered as having been made with the use of imported materials. If the value of the silk cocoons, plus any other imported constituents of the dress, such as buttons, was in the aggregate more than 20 percent of the value of the finished dress which is subsequently imported into the United States, such dress is not a "Philippine article." Under the illustration, the silk dress was a product of the Philippines, and was made from a product of the Philippines (silk cloth) which in turn was made from a product of the Philippines (silk yarn), but it is nevertheless not within the definition of "Philippine article."

This definition makes use of and is in effect a statutory endorsement of the concept of Philippine products which have heretofore been granted free entry into the United States under section 301 of the Tariff Act of 1930, as amended, and precedent statutes. The language used in the course of the definition "produced with the use of materials imported" is substantially the language used in section 313 of the Tariff Act of 1930, as amended, granting, on the exportation of articles manufactured or produced in the United States "with the use of imported merchandise" a draw-back of the duties paid on such imported merchandise. That section of the Tariff Act has been applied in a similar manner to that above described in the case of the silk dress and the Japanese cocoons.

United States article (*sec. 2* (*a*) (*5*)): The definition of "United States article" is identical with the definition of "Philippine article," except for the substitution of "United States" for "Philippines" and of "Philippines" for "United States."

United States duty (*sec. 2* (*a*) (*6*)): The term "United States duty" is defined to mean the rate of ordinary customs duty (as defined in par. (3) above) which would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate of ordinary customs duty. At the present time and until our tariff laws are changed that country is Cuba in the case of all dutiable articles. It will be noted that under subsection (c) (1) of this section, for the purpose of the definition of "United States duty," a country entitled to free entry with respect to an article is considered to be the country having the lowest rate of ordinary customs duty with respect to such article; thus, in the case of manganese ore, a product which is ordinarily subject to duty but which is admitted free from Cuba, Cuba is the country entitled to the lowest rate of duty and the United States duty for the purpose of this act is zero.

Fears have been expressed by some lawyers that the Cuban preference is not a reduction in the rate of duty but a reduction in the duty—in other words, that the reduction is in dollars and cents of the duty to be collected rather than in the rate of duty to be applied; therefore, it was thought advisable to insert the provisions of paragraph (c) (2) of this section under which it is required that a reduction in ordinary customs duty shall be converted into the equivalent reduction in the rate of ordinary customs duty: for example, in the case of hand-embroidered cotton nightgowns, the world rate on which is 90 percent ad valorem, the duty collected on a nightgown valued at $10 would be $9. If, according to the fears expressed, the Cuban preference is a reduction of duty from $9 to $7.20, the provisions

of subsection (c) (2) above referred to would convert this reduction of $1.80 into a reduction of 18 percent ad valorem, making the rate of duty on the Cuban product 72 percent, which would be the "United States duty." It will be noted that the phrase in the definition "applicable to a like article if imported from the country having the lowest rate" means the rate that would be applicable to a like article if imported from the country which would be entitled to the lowest rate if the like article were imported from that country, even though the records of the Customs Bureau fail to disclose that any such article was ever imported from that country; thus even though, in the illustration above given, no hand-embroidered cotton nightgowns ever were imported from Cuba, nevertheless, Philippine hand-embroidered cotton nightgowns (if a Philippine article) would be entitled to duty computed on the basis of the 72-percent rate of duty; it being borne in mind, however, that the percentage of United States duty to be applied is determined under section 202, ranging from 5 to 100 percent. It should also be borne in mind that in the case of the above example the rates spoken of are the rate of world duty and of Cuban preference now in existence, which at any time may be subject to change by the United States, and if changed the rate in effect at the time of entry of the Philippine article is the one on which the computation is based.

Philippine duty (*sec. 2* (*a*) (*7*))*:* The term "Philippine duty" is defined exactly the same as the term "United States duty," with the substitution of "Philippines" for "United States" and of "United States" for "Philippines"; but it should be noted, however, that in the case of the Philippines under existing law there is no third country entitled to a preferential rate, so that in the case of "United States articles" imported into the Philippines the preferences under section 312 of the bill will be based on the world rate unless the Philippines grant a special tariff preference to a third country.

Internal tax (*sec. 2* (*a*) (*8*))*:* The term "internal tax" is defined to include an internal fee, charge, or exaction, and includes a tax, fee, charge, or exaction, imposed on or in connection with importation, unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it should be treated as a duty imposed under the customs laws. The paragraph expressly provides that it shall include the following taxes although the law imposing them expressly provides that they shall be treated as duties imposed under the customs laws—the tax imposed by section 3500 of the Internal Revenue Code, relating to manufactured sugar and sugar products, and so much of the tax imposed by section 2491 (c) of the Internal Revenue Code as relates to products, 10 percent or more of which consists of or is derived from any of the oils (coconut, palm, and palm-kernel) fatty acids, or salts specified in section 2470 of the Internal Revenue Code. For discussion as to reasons for the treatment of these two particular taxes, see discussion under the definition of "ordinary customs duties" a few pages above in this report.

Subsection (*b*)*:* Section 221, prohibiting the imposition of taxes on products of the Philippines in the United States of internal taxes greater than those imposed on like domestic articles or imposed on like foreign articles, whichever is the lower, excepts from the prohibition internal taxes imposed on foreign articles to compensate for an internal tax imposed in respect to materials used in the production

of a like article which is the product of the United States. Section 321 imposes a like prohibition and like exception in the case of Philippine legislation with respect to the products of the United States. Subsection (b) of section 2 makes applicable to those two sections the concept of the chain of production discussed previously in this report in connection with the definition of "Philippine article."

Subsection (c): The provisions of this subsection, which have been discussed previously in this report in connection with the definition of "United States duty," apply equally in the case of the "Philippine duty."

Subsection (d): This subsection is the common provision in acts of Congress that the term "includes" when used in a definition shall not be deemed to exclude other things otherwise within the meaning of the term defined.

Title II

SECTION 201. FREE ENTRY OF PHILIPPINE ARTICLES

This section provides that after the date of enactment of this act up to and including July 3, 1954, Philippine articles (as defined in sec. 2 (a) (4)) shall be entitled to entry into the United States free of ordinary customs duty, as defined in sec. 2 (a) (3). This section does not exempt Philippine articles from antidumping duties or other duties which are excluded from the definition of "ordinary customs duty" (such duties being covered by sec. 204).

The section, contrary to existing law, permits, in the interest of simplicity of administration, free entry of Philippine articles, even though the Philippines has granted to the exporter a draw-back of customs duties paid on materials used in their production. Existing law also confines free entry to Philippine articles coming by direct shipment under through bill of lading. This limitation has also been omitted on the recommendation of the Treasury Department based on the difficulties of administration.

SECTION 202. ORDINARY CUSTOMS DUTIES ON PHILIPPINE ARTICLES

Subsection (a) of this section provides preferential rates on Philippine articles brought in during the period beginning July 4, 1954, and ending with July 3, 1974. The preference is accomplished by applying to these Philippine articles a sliding scale of percentages of "United States duty" starting off with 5 percent of that duty for the period July 4, 1954–December 31, 1954, increasing to 10 percent of the United States duty for the calendar year 1955, and being for each calendar year thereafter until and including the calendar year 1972, the percentage equal to the percentage of the preceding calendar year increased by 5 percent of the United States duty. Under this system in the year 1963 the percentage will be 50 percent of the United States duty and in the year 1972 the percentage will be 95 percent of the United States duty. For the period January 1, 1973–July 3, 1974, the percentage is 100 percent of the United States duty.

Attention is directed to the fact that the above statement should be read in the light of the definition of "Philippine article" found in section 2 (a) (4) and of "United States duty" found in section 2 (a) (6).

In other words, the class of articles to which the preference applies is substantially narrower than "products" of the Philippines; and the "United States duty" to which the percentage is applied is, under the existing state of our tariff laws, the rate applicable to products of Cuba. If the product is admitted free of duty from Cuba, under the definition the United States duty is zero and the application of the percentages to the rate of zero will result in free entry for the Philippine articles.

Under subsection (b) of this section the duty assessed by the United States on Philippine articles brought in after July 3, 1974, will, unless otherwise provided by statute or treaty, be 100 percent of the world rate.

SECTION 203. CUSTOMS DUTIES OTHER THAN ORDINARY

This section states what would undoubtedly be the law without it—that customs duties on Philippine articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 201 and 202 (a) but shall be subject to the provisions of section 204.

SECTION 204. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

This section gives to Philippine articles imported into the United States protection in the case of duties on or in connection with importation (other than "ordinary customs duties" and "internal taxes") against discrimination, by providing that these duties shall not be collected or paid in an amount in excess of the duties imposed with respect to like articles which are the product of any foreign country. This in effect grants most-favored-nation treatment with respect to such matters as countervailing duties, antidumping duties, additional duties for undervaluation, etc. Of course, this does not mean that the Philippines, if alone in granting an export subsidy on a particular article, could claim that this section exempts them from countervailing duties on such article based on such subsidy. They could properly claim, however, that the section does preclude the United States from imposing countervailing duties on Philippine articles on a basis more unfavorable than that employed in the case of a like article produced in other countries and similarly subsidized.

The term "duty" is defined to include taxes, fees, charges, or exactions, imposed on or in connection with importation, but as not including internal taxes or ordinary customs duties.

SECTION 205. EQUALITY IN DUTIES ON PRODUCTS OF PHILIPPINES

This section provides for products of the Philippines which do not qualify as "Philippine articles" protection, in the case of duties on or in connection with importation (including ordinary customs duties) against discrimination. It provides that no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any foreign country (except Cuba). This protection in the case of customs duties not "ordinary customs duties" is, under existing tariff laws, the same protection as is given under section 204 to Philippine articles.

The section in effect gives to Philippine products which are not Philippine articles the most-favored-nation treatment, except for the preferential treatment given to Cuba with respect to ordinary customs duties.

The term "duty" is defined to include taxes, fees, charges, or exactions imposed on or in connection with importation, but as not including internal taxes.

SECTION 211: ABSOLUTE QUOTA ON SUGARS

This section establishes for such Philippine sugars as come under the definition of "Philippine article" a quota for each calendar year in the period from January 1, 1946, to July 3, 1974. The quota for each calendar year is fixed at 850,000 short tons. For the period January 1, 1974, to July 3, 1974, the quota shall be one-half of the above quota.

Of the quota for each calendar year not to exceed 50,000 short tons may be refined sugars, and "refined sugars" is to have the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

Subsection (d) of the section provides for the allocation of the quotas for unrefined sugars. The allocation provided is to be made by the Philippine government and not by any agency of the United States, but must be on the basis provided in the bill. The quota is to be allocated annually to the sugar-producing mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932, and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them.

Subsection (e) provides for the allocation of quotas for refined sugars, the allocation also to be made in this case by the Philippine government. The quota is to be allocated annually to manufacturers of refined sugars in the Philippines in the calendar year 1940 whose refined sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of refined sugars produced by each such manufacturer (or in the case of such successor in interest, produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SECTION 212. ABSOLUTE QUOTA ON CORDAGE

This section establishes for Philippine cordage (which is defined to be a product of the Philippines whether or not qualifying as a "Philippine article") a quota for each calendar year in the period from January 1, 1946, to July 3, 1974. The quota in each calendar year in this period is 6,000,000 pounds, except that during the period January 1, 1974, to July 3, 1974, the quota is 3,000,000 pounds.

The term "cordage"is defined in the same terms as under the existing law relating to the Philippines, and includes "yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930, as amended), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber."

Subsection (d) of the section provides for the allocation of the quotas for cordage. The allocation provided is to be made by the Philippine Government and not by any agency of the United States, but must be on the basis provided by the bill. The quota is to be allocated annually to manufacturers of cordage in the Philippines in the calendar year 1940 whose cordage was exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of cordage produced by each such manufacturer (or in the case of such successor in interest, the amount of the cordage produced by his predecessor in interest) which was exported to the United States during the 12 months immediately preceding the inauguration of the Commonwealth of the Philippines.

SECTION 213: ABSOLUTE QUOTA ON RICE

This section establishes for such Philippine rice as comes under the definition of "Philippine article" a quota for each calendar year in the period January 1, 1946, to July 3, 1974. The quota in each calendar year in this period is 1,040,000 pounds, except that during the period from January 1, 1974, to July 3, 1974, the quota is 520,000 pounds. The term "rice" is defined to include rice meal, flour, polish, and bran.

The section makes no provision for the allocation of this quota.

SECTION 214: ABSOLUTE AND DUTY-FREE QUOTAS ON CERTAIN ARTICLES

Subsection (a) of this section establishes for the Philippine articles (as defined in section 2 (a) (4)) named below an absolute quota for each calendar year in the period from January 1, 1946, to July 3, 1974:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), 200,000,000 cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, 6,500,000 pounds;

(3) Coconut oil, 200,000 long tons; and

(4) Buttons of pearl or shell, 850,000 gross.

For the period January 1, 1974, to July 3, 1974, the quota shall be one-half of the amount so specified with respect to each class of articles, respectively.

Subsection (b) of this section establishes duty-free quotas for the articles enumerated in subsection (a). In each of the calendar years 1946–54, the total amount of the absolute quota can be entered duty-free. In each calendar year thereafter the amount to be admitted duty-free is reduced by 5 percent of the absolute quota as shown in the table included in section 212 (b) (1) of the bill, so that from January 1, 1974, to July 3, 1974, the duty-free quota will be zero as to each class of these articles.

Subsection (b) (2) provides that any of these articles entered in excess of the duty-free quota thus provided shall be subject to 100 percent of the "United States duty" (as defined in section 2 (a) (6)) and will not be entitled to any of the preferential rates provided in section 202, but it is made clear that the absolute quota cannot be exceeded. For example, in 1955, the duty-free quota on cigars above referred to is 190,000,000. The absolute quota is 200,000,000. Ten million cigars represents the difference between the duty-free quota and the absolute quota, and on the difference a duty will be paid based on 100 percent of the "United States duty." (After the duty-free quota has been filled not more than 10,000,000 cigars which are Philippine articles can be brought in in 1955 no matter what duty the importer might be willing to pay.)

Subsection (c) of the section provides for the allocation of the quotas, both absolute and duty-free. The allocation is to be made by the Philippine Government and not by any agency of the United States, but must be on the basis provided by the bill. The quota is to be allocated annually to the manufacturers in the Philippines in the calendar year 1940 of products of the class for which such quota is established and whose products of such class were exported to the United States during such year, or their successors in interest, proportionately on the basis of the amount of the products of such class produced by each manufacturer (or in the case of such successor in interest, the amount of the products of such class produced by his successor in interest) which was exported to the United States in 1940.

SECTION 215: LAWS PUTTING INTO EFFECT ALLOCATIONS OF QUOTAS

This section provides that the necessary laws and regulations for putting into effect the allocation of quotas on the basis provided for in sections 211, 212, and 214, respectively, shall not be enacted by the United States, it being the purpose of the act that such laws and regulations shall be enacted by the Philippines.

SECTION 216. TRANSFERS AND ASSIGNMENTS OF QUOTA ALLOTMENTS

This section provides for the transfer and assignment of allotments of the quotas on terms agreed to by the parties in interest. It also provides that after the first 9 months of any calendar year if the holder of any allotment is unable to export to the United States all of his allotment in time to fill the quota, such amount of the allotment as cannot so be exported during the remainder of the year may be apportioned by the Philippine Government to other holders of allotments under the same quotas or in such other manner as will insure the filling of the quota for that year. It is provided, however, that no transfer, assignment, or reallocation shall diminish the allotment to which the holder may be entitled for any subsequent calendar year

SECTION 221: EQUALITY IN INTERNAL TAXES

Section 221 (a) provides that products of the Philippines coming into the United States, or articles manufactured in the United States wholly or partly from such products, shall not be subject to internal tax in excess of the internal tax imposed with respect to like articles

which are the product of the United States, or in excess of the internal tax imposed with respect to like articles which are the product of any foreign country. If no internal tax is imposed with respect to like articles produced in the United States, no internal tax in any amount is to be collected with respect to the Philippine products. Similarly if no internal tax is imposed with respect to like articles which are the product of any other foreign country no internal tax may be collected with respect to the Philippine article.

These limitations with respect to equality of internal taxes do not apply in the alternative. Both limitations are applicable. For example, assume there is no internal-revenue tax imposed in the United States with respect to the manufacture or sale of product X, but there is an internal-revenue tax imposed with respect to product X when imported from any foreign country. Under the provisions of section 221, the internal-revenue tax with respect to imports of product X may not be collected with respect to imports of product X which are the product of the Philippines. Similarly, assume there is an internal-revenue tax imposed in the United States with respect to the manufacture or sale of product X at the rate of 5 cents per unit and an internal-revenue tax with respect to the importation of product X from any foreign country at the rate of 10 cents per unit. Under section 221 (a) the only amount that could be collected with respect to imports of product X coming from the Philippines is 5 cents per unit. This normally under United States law would be collected on importation. If the situation were reversed and the internal-revenue tax on product X when manufactured or sold in the United States were 10 cents per unit and the internal-revenue tax with respect to product X when imported from any foreign country were 5 cents per unit, no more than 5 cents per unit could be collected with respect to product X when imported from the Philippines. In this latter connection, the effect of section 221 (a) in a situation where there are two internal-revenue taxes with respect to the same article, one with respect to the article produced in the United States and the other with respect to importation, is that such an article when coming from the Philippines is subject to only one tax at a rate not to exceed the lower of the two rates.

Subsections (b) and (c) of section 221 contains certain exceptions to subsection (a).

Section 221 (b) provides that where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed with respect to a like article which is the product of the United States, or with respect to materials used in the production of a like article which is the product of the United States, if the amount of the internal tax which is collected and paid with respect to the article which is a product of the Philippines is not in excess of that permitted to be imposed with respect to like articles which are the product of any other foreign country, such collection and payment is not to be regarded as a violation of section 221 (a). Section 221 (a) does not prohibit the collection of an internal-revenue tax imposed by the United States with respect to imported articles which is designed to compensate for an internal tax affecting United States products or material used in the manufacture of such products, thus permitting articles of United States production to enter United States commerce with an internal-revenue-tax burden

no greater than that borne by like articles imported from foreign countries. For example: Under section 2800 (a) (3) of the Internal Revenue Code a tax of $9 per wine gallon is imposed with respect to all perfumes imported into the United States containing distilled spirits. The United States tax with respect to distilled spirits imposed by section 2800 (a) (1) of the Internal Revenue Code is not imposed with respect to perfume as such. Domestic perfume, however, made with the use of taxable distilled spirits contains as an element of cost the tax paid with respect to such distilled spirits. The tax imposed by section 2800 (a) (3) of the Internal Revenue Code with respect to imported perfumes containing distilled spirits therefore serves to compensate for the internal tax paid in this country with respect to distilled spirits which may be used in the manufacture of perfume in this country. Collection of such tax would, therefore, not be contrary to the intent of section 221 (a) of the bill. Another example is the compensating tax imposed by section 3500 of the Internal Revenue Code with respect to manufactured sugar imported or brought into the United States.

For the purposes of section 221 (b) there is made applicable the definition of section 2 (b) of the bill of what is meant by the phrase "materials used in the production of an article."

Section 221 (c) provides that section 221 does not apply to the taxes imposed under section 2306, 2327, or 2356 of the Internal Revenue Code. These provisions of law relate to internal-revenue taxes imposed with respect to imports of oleomargarine, adulterated butter, and filled cheese. These taxes are of many years' standing and unless expressly excepted from the scope of section 221 would in each case be materially reduced in respect to articles imported from the Philippines, although the full rate would be applicable to such article when imported from other foreign countries. In the case of the liquor excise taxes imposed under chapter 26 of the Internal Revenue Code, section 221 of the bill will effect no change in the existing tax treatment of Philippine products under chapter 26; it was, accordingly, unnecessary to include any reference to these taxes in section 221 (c).

It is to be noted that articles within the scope of section 221 of the bill are not restricted to articles coming within the definition of "Philippine article" contained in section 2 (a) (4) of the bill; all products of the Philippines coming into the United States come within the scope of section 221, without regard to the limitations of section 2 (a) (4) respecting percentage of Philippine material used in their production. For a discussion of the term "Philippine product" reference is made to the comment in this report in section 2 (a) (4).

The term "internal tax" as used in section 221 is defined in section 2 (a) (8).

SECTION 222. EXEMPTION FROM TAX OF MANILA FIBER

This section provides that no processing tax or other internal tax shall be imposed or collected in the United States with respect to manila (abaca) fiber not dressed or manufactured in any manner.

SECTION 223. PROHIBITION OF EXPORT TAXES

This section provides that no export tax is to be imposed or collected by the United States on articles exported to the Philippines.

SECTION 224. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE

This section provides that no processing tax or other internal tax is to be imposed or collected in the United States with respect to articles brought in for the official use of the Philippine Government or its agencies.

SECTION 225. APPLICATION TO PUERTO RICO

Section 9 of the act of March 2, 1917, an act to provide a civil-government for Puerto Rico and for other purposes, states that all statutory laws of the United States not locally inapplicable to Puerto Rico unless otherwise provided for in the act shall have the same force and effect in Puerto Rico as in the United States. An exception is made, however, with respect to the internal-revenue laws. This section amends the act of March 2, 1917, so that the exception with respect to the application of internal-revenue laws will not apply to those contained in this bill.

SECTION 231: IMMIGRATION

This section grants to a Philippine citizen who actually resided in the United States for a continuous period of 3 years immediately prior to November 30, 1941, the right to enter the United States as a non-quota immigrant during a 5-year period July 4, 1946, to July 3, 1951, if he comes to resume residence in the United States. In order to secure him this right the section provides that if he so comes he will not be excluded on the ground of his ineligibility to citizenship (which the bill does not remove), nor by the so-called "barred zone" provision of the Immigration Act of 1917, which will be applicable to natives of the Philippines after independence.

Subsection (b) provides that after admission as a nonquota immigrant he shall be considered as lawfully admitted for permanent residence, for purposes of the immigration and naturalization laws. This will not permit his naturalization, unless he belongs to a class of Filipinos permitted to be naturalized, such as those who have served in our armed forces, but it does insure his right to stay here, and to go and come at his pleasure.

Subsection (c) extends the benefits of the section to his wife, if a Philippine citizen or eligible to citizenship, and his unmarried children under 18, if such wife or children, during such 5-year period, come with or follow to join him.

Subsection (d) excludes from the benefits of the section laborers admitted to Hawaii without immigration visa or passport, under section (8) (a) (1) of the Philippine Independence Act (Tydings-McDuffie Act).

Under section 331 of title III the Philippines will grant the same privileges to our citizens who resided in the Philippines before November 30, 1941.

Title III

SECTION 301: STATEMENT OF PURPOSES OF THE TITLE

This section, which constitutes part 1 of title III, states the function which the remaining four parts of the title perform in the framework of the bill and proposed executive agreement.

Subsection (a) states that parts 2, 3, 4, and 5, insofar as applicable up to the date of independence, are intended to, and shall, operate as statutes of the United States, the Philippines being still one of our possessions during this period.

Subsection (b) of the section states that after independence and during the effectiveness of the agreement, parts 2, 3, 4, and 5, although expressed in statutory form, are not intended, as to the period after independence, as an attempt on the part of Congress to legislate for the sovereign Philippine nation, but that they constitute a statement in precise terms of provisions which the Government of the Philippines, upon the taking effect of the executive agreement, will be obligated to observe and execute as the law of the Philippines during the effectiveness of the agreement. In paragraph (2) of this subsection Congress also states its policy and expectation that the provisions of parts 2, 3, 4, and 5, will be observed and executed by the Government of the Philippines even before the date of the taking effect of the executive agreement.

SECTION 311. FREE ENTRY OF UNITED STATES ARTICLES

This section provides that after the date of enactment of this act up to and including July 3, 1954, United States articles (as defined in sec. 2 (a) (5)) shall be entitled to entry into the Philippines free of ordinary customs duty (as defined in sec. 2 (a) (3)). This section does not exempt United States articles from antidumping duties which are excluded from the definition of "ordinary customs duty" (such duties being covered by sec. 314).

The section, contrary to existing law, permits, in the interests of simplicity of administration, free entry of United States articles even though the United States has granted to the exporter a draw-back of customs duties paid on materials used in their production. Existing law also confines free entry to United States articles coming by direct shipment under through bill of lading. This limitation has also been omitted. One further change is made in that under existing law products of the United States are entitled to free entry into the Philippines even though they do not qualify as "United States articles," but under the bill free entry is confined to United States articles, thus making it exactly reciprocal with the free entry granted to the Philippines by section 201.

SECTION 312: ORDINARY CUSTOMS DUTIES ON UNITED STATES ARTICLES

Subsection (a) of this section provides preferential rates on United States articles brought into the Philippines beginning with July 4, 1954, and ending with July 3, 1974. The preference is accomplished by applying to these United States articles a sliding scale of percentages of "Philippine duty" (as defined in sec. 2 (a) (7)) starting off with 5 percent of that duty for the period July 4 to December 31, 1954, increasing to 10 percent of the Philippine duty for the calendar year 1955, and being for each calendar year thereafter until and including the calendar year 1972 the percentage equal to the percentage of the preceding calendar year increased by 5 percent of the Philippine duty. Under this system in the year 1963 the percentage will be 50 percent of the Philippine duty, and in the year 1972 the percentage

will be 95 percent of the Philippine duty. For the period January 1, 1973, to July 3, 1974, the percentage is 100 percent of the Philippine duty.

Attention is directed to the fact that the above statement should be read in the light of the definition of "United States article" found in section 2 (a) (5), and of "Philippine duty" found in section 2 (a) (7). In other words, the class of articles to which the preference applies is substantially narrower than "products" of the United States.

Under subsection (b) of this section the duty assessed by the Philippines on United States articles brought in after July 3, 1974, will, unless otherwise provided by statute or treaty, be 100 percent of the world rate.

SECTION 313: CUSTOMS DUTIES OTHER THAN ORDINARY

This section states what would undoubtedly be the law without it—that customs duties on United States articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 311 and 312 (a) but shall be subject to the provisions of section 314.

SECTION 314: EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

This section, which is correlative to section 204, gives to United States articles imported into the Philippines protection, in the case of duties on or in connection with importation (other than "ordinary customs duties" and "internal taxes"), against discrimination to the same extent and subject to the same provisions as in the case of Philippine articles imported into the United States.

SECTION 315: EQUALITY IN DUTIES ON PRODUCTS OF UNITED STATES

This section provides for products of the United States which do not qualify as "United States articles" protection, in the case of duties on or in connection with importation (including "ordinary customs duties"), against discrimination. It provides that no duty on, or in connection with, importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any foreign country. This protection in the case of customs duties not "ordinary customs duties" is, under existing tariff laws, the same protection as is given under section 314 to United States articles. The section in effect gives to United States products which are not United States articles the most favored nation treatment.

The term "duty" is defined to include taxes, fees, charges, or exactions, imposed on or in connection with importation, but as not including internal taxes.

SECTION 321: EQUALITY IN INTERNAL TAXES

Section 321 contains provisions respecting equality of treatment in the Philippine Islands, for internal tax purposes, of products of the United States and of articles manufactured in the Philippines wholly or partly from products of the United States, similar in every way to the treatment accorded under section 221 (a) and (b) with

respect to products of the Philippines coming to the United States. Reference accordingly is made to the statement in this report respecting section 221. There are no exceptions in section 321 similar to those contained in section 221 (c).

SECTION 322: PROHIBITION OF EXPORT TAXES

This section provides that no export tax is to be imposed or collected by the Philippines on articles exported to the United States.

SECTION 323: EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE

This section provides that no processing tax or other internal tax is to be imposed or collected in the Philippines with respect to articles brought into the Philippines for the official use of the United States or its agencies.

SECTION 331: CERTAIN UNITED STATES CITIZENS GIVEN NONQUOTA STATUS

This section, which is the converse of section 231, entitles a citizen of the United States, who actually resided in the Philippines for a continuous period of 3 years immediately prior to November 30, 1941, the right to enter the Philippines as a nonquota immigrant during a 5-year period July 4, 1946, to July 3, 1951, if he comes to resume residence in the Philippines.

The section also provides that after admission as a nonquota immigrant he shall be considered as lawfully admitted for permanent residence, for purposes of the immigration and naturalization laws.

The section also provides that its benefits shall be extended to the wife of the United States citizen, if she is a United States citizen, and to his unmarried children under 18, if such wife or children, during such 5-year period, come with or follow to join him.

SECTION 332: IMMIGRATION OF UNITED STATES CITIZENS INTO PHILIPPINES

This section, which is to be the law carrying out the provisions required by section 402 (e) to be included in the agreement, is discussed in connection with that section.

SECTION 341: RIGHTS OF UNITED STATES CITIZENS AND BUSINESS ENTERPRISES IN NATURAL RESOURCES

This section provides that the disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities shall, if open to any person, be open to citizens of the United States and to all forms of business enterprise owned or controlled, directly or indirectly, by United States citizens.

Upon the taking effect of the executive agreement provided for in title IV, this section will become a law of the Philippines except such part as is in conflict with the constitution of the Philippines. In

order to insure the giving of the protection to our citizens and business enterprises, some substantial changes will have to be made in the Philippine Constitution, and title IV is careful to grant relief from the necessity of executing as law of the Philippines the parts so in conflict with the constitution, until the necessary amendments to the constitution have been made. Section 404 (c) (1), however, provides that if our President deems that such constitutional amendments have not been effected within a reasonable time, he shall so proclaim and the executive agreement shall cease to be in effect.

In connection with this section, attention is directed to the provisions of section 404 (c) (2) and (3), and to the provisions of section 501, which are discussed later in this detailed analysis.

SECTION 342. CURRENCY STABILIZATION

This section provides that the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

Attention is directed to the provisions of section 402 (f) referred to later in this detailed analysis.

SECTION 343: ALLOCATION OF QUOTAS

This section provides that the allocation, reallocation, transfer, and assignment of quotas established by sections 211, 212, and 214, respectively, of part 2 of title II, shall be on the basis provided for in such part.

Title IV

SECTION 401. AUTHORIZATION OF AGREEMENT

This section authorizes the President to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of the provisions of title II and of parts 2, 3, 4, and 5 of title III. The authority of our President to enter into the agreement under this act is conditioned upon the inclusion in the agreement of provisions that the agreement shall not take effect—

(1) Unless and until the agreement is accepted by law by the Congress of the Philippines; and

(2) Unless and until the Congress of the Philippines has enacted such legislation as may be necessary to make all the provisions of parts 2, 3, 4, and 5 of title III take effect as law of the Philippines; except that compliance with so much of section 341 as is in conflict with the Philippine Constitution is not required until the constitution is amended to remove such conflict.

SECTION 402. OBLIGATIONS OF PHILIPPINES

This section enumerates certain obligations on the part of the Philippines that must be incorporated in the agreement if it is to be made by the President under authority of section 401.

Laws continued in effect.—Under subsection (a) the Philippines will be obligated to continue in effect as laws of the Philippines, during the effectiveness of the agreement, the provisions of parts 2, 3, 4, and 5 of title III which, under the provisions of section 401, must have been made the laws of the Philippines by the Philippine Congress before the agreement can take effect. Exception is made (for the period prior to the amendment of the Constitution of the Philippines referred to in subsection (b) of this section) of such provisions of section 341 as conflict with such constitution.

Constitutional amendment.—Under subsection (b) of this section the Government of the Philippines will be obligated promptly to take such steps as are necessary to secure an amendment to the Constitution of the Philippines so as to permit the taking effect as laws of the Philippines such part of the provisions of section 341 as is in conflict with such constitution before such amendment.

Supplementary Legislation.—Under subsection (c) of this section the Philippines will be obligated to promptly enact and keep in effect during the effectiveness of the agreement such legislation as may be necessary—

(1) To supplement the legislation the enactment of which, under section 401, is necessary to the effectiveness of the agreement; and to implement the provisions of parts 2, 3, 4, and 5 of title III; and

(2) To put and keep in effect, during the effectiveness of the agreement, the allocation, reallocation, transfer, and assignment of quotas on the basis provided for in part 2 of title II.

Bases for allocation of quotas.—Under subsection (d) the Philippines agree that the United States shall have the right to provide the basis for the allocation of any quotas established under the portion of the agreement setting forth the provisions of section 403 (c) (see discussion of that section later in this report) and that if the United States exercises such right then the Philippines shall promptly enact and keep in force legislation necessary to put and keep in effect, on the basis provided by the United States, the allocation of such quotas.

Immigration.—Under subsection (e) there must be included in the agreement a provision under which there will be admitted to the Philippines (without regard to the annual quota of 500 permanent immigrants which will be applied to us beginning July 4, 1946) during each of the years of a specified period of years (not less than 5), of a specified number (not less than 1,000) of United States citizens. The length of time each shall be entitled to remain in the Philippines is to be specified in the agreement.

Section 332 of title III implements this agreement and, as law of the Philippines when the agreement takes effect, will permit entry of our citizens in accordance with the terms of the agreement.

Currency stabilization.—Under subsection (f) of this section the Philippines agrees that the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SECTION 403. OBLIGATIONS OF UNITED STATES

This section enumerates certain obligations on the part of the United States that must be incorporated in the agreement if it is to be made by the President under authority of section 401.

Laws continued in effect.—Under subsection (a) the United States will be obligated to continue in effect during the effectiveness of the agreement the provisions of title II as laws of the United States. If, however, such provisions are not in effect at the time the agreement takes effect (because suspended under section 502) the agreement is that they shall be made to take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

Supplementary legislation.—Under subsection (b) of section 403 the United States will be obligated promptly to enact and keep in effect during the effectiveness of the agreement such legislation as may be necessary to supplement and implement the provisions of title II.

Quotas.—Subsection (c) provides that with respect to quotas on Philippine articles (other than the quotas established in part 2 of title II, and other than quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles) the United States will not establish any such quota for any period before January 1, 1948, and for any part of the period January 1, 1948–July 3, 1974, it will (with the above exceptions) establish a quota with respect to Philippine articles only if the President of the United States, after investigation, finds that such Philippine articles are coming, or are likely to come, into substantial competition with like domestic articles. The quota established for any Philippine article for any 12-month period is not to be less than the amount determined by the President as the total amount of the Philippine articles of such class which entered the United States during the 12-month period preceding the start of the investigation. Attention is directed to the provisions of section 504 authorizing the President to establish such quotas after findings made after investigation by the Tariff Commission, and the discussion of the section in a later portion of this detailed analysis.

Coconut oil processing tax.—Subsection (d) of section 403, provides that during the effectiveness of the agreement the United States will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue Code (relating to processing taxes on coconut oil, etc.) with respect to coconut oil derived from Philippine copra; except that it may suspend the 2 cents tax imposed by section 2470 (a) (2) during any period as to which the President of the United States, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States.

Attention is called to the provisions of section 505 (b) which authorizes the President to suspend the 2-cent tax upon such finding, and to the discussion in a later part of this detailed analysis.

SECTION 404. TERMINATION OF AGREEMENT

This section enumerates certain provisions as to termination and suspension of the agreement that must be incorporated in the agreement if it is to be made by the President under authority of section 401.

Termination in general.—Under subsection (a), the agreement is to have no effect after July 3, 1974.

Termination by either party.—Under subsection (b) (1) of section 404 the agreement may be terminated by either party at any time, upon not less than 5 years' notice.

Under subsection (b) (2) of section 404, if the President of the United States or the President of the Philippines determines and proclaims that the other country has adopted or applied measures or practices which would operate to nullify or impair any right or obligation provided for in such agreement, then the agreement may be terminated upon not less than 6 months' notice.

Termination by United States for failure to amend Constitution.—Under subsection (c) (1) of section 404, if the President of the United States determines that a reasonable time for the making of the amendment to the Constitution of the Philippines referred to in section 402 (b) has elapsed, but that such amendment has not been made, he shall so proclaim and the executive agreement shall have no effect after the date of such proclamation.

Suspension or termination for discrimination.—Subsection (c) (2) of section 404 provides that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the Philippines are in any manner discriminating against citizens of the United States or any form of United States business enterprise, then the United States shall have the right to suspend the effectiveness of the whole or any portion of the agreement.

Subsection (c) (3) of section 404 provides that if the President, after such consultation, finds that the discrimination has ceased, then the suspension shall end, but if he finds that the discrimination has not ceased after a time determined by him to be reasonable then the United States shall have the right to terminate the agreement upon not less than 6 months' notice.

Attention is directed to section 501, authorizing the President to provide for the suspensions and terminations authorized by these provisions of the agreement, and to the discussion of that section in a later portion of this detailed analysis.

SECTION 405. EFFECT OF TERMINATION OF AGREEMENT

This section provides that upon the termination of the agreement as provided in section 404, the provisions of title II shall cease to have effect as laws of the United States. For example, upon the termination of the agreement the United States laws providing for preferential treatment will be definitely terminated.

SECTION 406. INTERPRETATION OF AGREEMENT

This section provides that the President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides that the acceptance of the provisions of titles II and III is on the understanding that the definitions, and provisions in the nature of definitions, contained in section 2 of title I, shall apply in the interpretation of the provisions so accepted.

SECTION 407. TERMINATION OF AUTHORITY TO MAKE AGREEMENT

This section provides that whenever the President of the United States determines that a reasonable time for the entering into, acceptance, and taking effect of the executive agreement has elapsed, but that such agreement has not taken effect, he shall so proclaim, and thereupon his authority to enter into such executive agreement shall terminate, and the provisions of title II shall cease to have effect as laws of the United States.

SECTION 408. EFFECTIVE DATE OF AGREEMENT

This section provides that when the President of the United States determines that the executive agreement entered into under section 401 has been accepted by the Congress of the Philippines by law and that the Congress of the Philippines has enacted the legislation the enactment of which is, under section 401, a condition precedent to the taking effect of the agreement, he shall so proclaim, and in his proclamation specify the effective date of the agreement.

TITLE V

SECTION 501. SUSPENSION AND TERMINATION OF AGREEMENT IN CASE OF DISCRIMINATION

This section is enacted under the reservation of the right of the United States which will be incorporated in the executive agreement under section 404 (c) (2) and (3).

Subsection (a) provides that if the President of the United States determines, after consultation with the President of the Philippines, that the Philippines are in any manner discriminating against citizens of the United States or any form of United States business enterprise, he shall so proclaim, and thereupon the effectiveness of the agreement or such part thereof as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States, shall be suspended.

Subsection (b) provides that if the President, after such consultation, determines that the discrimination has ceased, he shall so proclaim, and thereupon the suspension shall end.

Subsection (c) provides that if the President, after such consultation, determines that the discrimination has not ceased after the lapse of a time determined by him to be reasonable, he shall so proclaim and give to the Philippines notice of the intention of the United States to terminate the agreement. (Notice of not less than 6 months required by sec. 404 (c).)

Subsection (d) provides for the suspension or termination of the provisions of title II as laws of the United States to the extent necessary to give effect to the suspension or termination of the agreement effected under subsections (a), (b), or (c).

SECTION 502. SUSPENSION OF TITLE II

This section provides that if the President finds that, during the interim period between independence and the taking effect of the executive agreement, the Philippines are not putting into effect, or

making every effort to put into effect, to the fullest extent possible under its constitution, the provisions of title III, or is not providing for the allocation of quotas on the basis provided for in section 211, 212, or 214, respectively, he shall so proclaim. On the day following the date of the proclamation, such provisions of title II shall be suspended as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States. The suspension is to continue until the taking effect of the executive agreement.

SECTION 503. CUSTOMS DUTIES ON IMPORTATIONS FROM PHILIPPINES

This section provides that the classes of articles enumerated below shall, from the day after the date of the enactment of this act, be subject to the same duties as like articles coming or imported into the United States from foreign countries, except Cuba—

(1) articles coming or imported into the United States from the Philippines, other than Philippine products;

(2) Philippine products coming or imported into the United States, other than Philippine articles; and

(3) with respect to the period after the effectiveness of the agreement has ceased, Philippine articles coming or imported into the United States.

The bill makes no change in the law with respect to the dutiable status of articles coming into the United States from American possessions other than the Philippines, e. g., Guam and American Samoa.

SECTION 504. QUOTAS ON PHILIPPINE ARTICLES

This section implements the portions of the executive agreement referred to in sections 402 (d) and 403 (c) discussed previously in this detailed analysis. Under the executive agreement incorporating the provisions of section 403 (c), the United States agrees not to establish before 1948 new quotas, except quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles, and that the United States will not establish new quotas (with the same exception) after 1947 and during the effectiveness of the agreement unless the President, after investigation, finds that the Philippine article is coming or is likely to come into substantial competition with like articles of the United States. The amount of any such new quotas shall not be less than the amount determined by the President as the total amount imported into the United States during the 12-month period preceding the start of the investigation.

Subsection (a) of section 504 provides that whenever the President, after the investigation by the Tariff Commission provided for in subsection (d) of this section, finds with respect to any Philippine articles (other than the ones for which quotas are established by part 2 of title II) that they are coming or are likely to come into substantial competition with like domestic articles, he shall so proclaim and in the proclamation fix the quotas. If he finds that the allocation of the quota is necessary he shall by proclamation provide the basis of the allocation, which under the provisions of the executive agreement referred

to in section 402 (d) the United States reserves the right to provide for in the case of these new quotas.

Subsection (b) of section 504 provides that the President cannot establish a quota larger than the smallest amount which he determines may be entered without coming into substantial competition with like domestic articles; but in no case shall the quota be less than the minimum amount above referred to in the discussion of this section.

Subsection (c) provides that any new quota thus established shall become effective at the time designated by the President (but not before January 1, 1948) and shall continue in effect until the President, after investigation, finds and proclaims that there is no further need for the quota; but no quota established under this section shall continue in effect after the termination of the executive agreement.

Subsection (d) provides for investigations by the Tariff Commission to aid the President in making the findings required by this section and by the executive agreement. The investigations on the subject of new quotas are to be made by the Commission at the request of the President, or of either House of Congress, or upon its own motion, or when in its judgment there is good reason therefor upon application by any interested party. The investigation shall be to ascertain (1) whether the Philippine articles are coming or are likely to come into substantial competition with like domestic articles; (2) what is the maximum quota which would prevent substantial competition; and (3) the amount imported into the United States during the 12 months preceding the start of the investigation.

The Commission is to give opportunity to interested parties for a public hearing and shall give precedence to the investigation. The Commission is to report the results of its investigations to the President, and shall send copies of such report to each House of Congress.

SECTION 505. PROCESSING TAX ON COCONUT OIL

This section is to implement the provisions of section 403 (d) under which the United States in the executive agreement undertakes that it will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue Code (relating to tax on processing of coconut oil) with respect to coconut oil derived from Philippine copra. The United States reserves the right to suspend the provisions of section 2470 (a) (2) of the Internal Revenue Code (which imposes an additional processing tax of 2 cents per pound on the processing of coconut oil derived from copra produced in countries other than the Philippines) if he finds, after consultation with the President of the Philippines, that adequate supplies of neither copra nor coconut oil from the Philippines are readily available for processing in the United States.

Subsection (a) of section 505 makes the necessary amendments to section 2470 (a) (2) of the Internal Revenue Code to carry out the promise of the United States.

Subsection (b) of section 505 provides that whenever the President, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil from the Philippines are readily available for processing in the United States he shall

so proclaim, and thereafter the additional tax of 2 cents per pound, imposed by section 2470 (a) (2) of the Internal Revenue Code on the processing of coconut oil derived from copra produced in countries other than the Philippines, shall be suspended until the expiration of 30 days after he proclaims that, after consultation with the President of the Philippines, he has found that such adequate supplies are so readily available.

SECTION 506. TERMINATION OF PAYMENTS INTO PHILIPPINE TREASURY

Under existing law the proceeds of certain duties and taxes, accruing and collected with respect to articles coming from the Philippines (including the processing tax under sec. 2470 of the Internal Revenue Code on coconut oil derived from Philippine copra, whether imported as oil or copra), are required to be paid into the general funds of the Treasury of the Philippines or to be held first as a separate fund and then paid into the Treasury of the Philippine Islands, to be used for the benefit of the people and government of the islands. In order to terminate this arrangement upon the independence of the Philippines, this section repeals the provisions of the Internal Revenue Code providing for coverage of such collections into the Philippine Treasury and requires that all the proceeds of such duties and taxes collected after July 3, 1946, shall be covered into the general fund of the Treasury of the United States. Under the act of November 8, 1945, and section 19 (a) of the act of March 24, 1934, as added to such act by section 6 of the act of August 7, 1939, the proceeds of the taxes imposed by sections 2470, 2490, and 2491 of the Internal Revenue Code, accruing prior to July 4, 1946, are to be paid into the general funds of the Treasury of the Philippines. Pursuant to the act of November 8, 1945, and computed in accordance with section 503 of the Sugar Act of 1937, as amended, the proceeds of taxes collected or accrued under sections 3490 and 3500 on sugars produced from sugarcane grown in the Philippines, manufactured in or brought into the United States on or prior to June 30, 1947, are to be paid into the general fund of the Treasury of the Philippines. This section provides that the proceeds of any such taxes actually collected after July 3, 1946, although accruing on or prior thereto, shall be paid into the general fund of the Treasury of the United States.

SECTION 507. SPECIAL EXCISE PROVISIONS RELATING TO PHILIPPINES REPEALED

Chapter 28, subchapter B, of the Internal Revenue Code contains provisions with respect to the application of excise taxes in the United States and the Philippines on shipments between the United States and the islands and on imports into the Philippines from countries other than the United States. These provisions are similar to others in that part of the Code with respect to other possessions of the United States. As soon as the Philippines are independent, these provisions will no longer be necessary or consistent with such status, and, therefore, are repealed as of July 4, 1946. This section also makes clerical changes in the Code to adjust it to these repeals.

SECTION 508. TRADE AGREEMENTS WITH THE PHILIPPINES

This section prohibits the making of trade agreements with the Philippines under section 350 of the Tariff Act of 1930 during the effectiveness of the agreement authorized by section 401 of this act, and between the time of the enactment of this act and the taking effect of the agreement, unless the President has found that a reasonable time has elapsed without the agreement taking effect, and has made the proclamation provided for in section 407.

SECTION 509. RIGHTS OF THIRD COUNTRIES

This section provides that the benefits granted by this act, and by the executive agreement provided for in title IV, to the Philippines, Philippine articles or products, and Philippine citizens, shall not, by reason of any provision of any existing treaty or agreement with any third country, be extended to such country or its products, citizens, or subjects. This section makes clear that the benefits to the Philippines under this act shall be exclusive and shall not be extended to any foreign country.

SECTION 510. ADMINISTRATION OF TITLE II

Subsection (a) of this section provides that the provisions of title II relating to customs duties, quotas, and internal taxes shall be administered as parts of the customs and internal revenue laws of the United States.

Subsection (b) of this section provides that the provisions of title II granting certain Philippine citizens nonquota status shall be administered as part of the immigration laws.

SECTION 511. REPEALS

This section repeals, effective the day after the date of enactment of the act, the provisions of existing law dealing with the tariff status of Philippine goods brought into the United States, which subject matter is fully covered by the provisions of the bill.

SECTION 512. EFFECTIVE DATE

This section provides that this act shall take effect the day after the date of enactment, except the provisions of part 2 of title II relating to certain quotas, which will take effect as of January 1, 1946.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

ACT OF MARCH 2, 1917

SEC. 9. That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal revenue [laws] *laws, other than those contained in the Philippine Trade Act of 1946*: *Provided, however*, That hereafter all taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico.

INTERNAL REVENUE CODE

SEC. 2470. TAX.

(a) RATE.—

* * * * * * *

(2) ADDITIONAL RATE ON COCONUT OIL.—There shall be imposed (in addition to the tax imposed by the preceding paragraph) a tax of 2 cents per pound, to be paid by the processor, upon the first domestic processing of coconut oil or of any combination or mixture containing a substantial quantity of coconut oil with respect to which oil there has been no previous first domestic processing, except that the tax imposed by this sentence shall not apply when it is established, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, that such coconut oil (whether or not contained in such a combination or mixture), (A) is wholly the production of the Philippine Islands or any [other] possession of the United States, or (B) was produced wholly from materials the growth or production of the Philippine Islands or any [other] possession of the United States, or (C) was brought into the United States on or before June 9, 1934, or produced from materials brought into the United States on or before June 9, 1934, or (D) was purchased under a bona fide contract entered into prior to April 26, 1934, or produced from materials purchased under a bona fide contract entered into prior to April 26, 1934. *The tax imposed by this paragraph shall not apply to any domestic processing after July 3, 1974.*

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[SEC. 2476. COLLECTIONS COVERED INTO THE PHILIPPINE TREASURY.

All taxes collected under this chapter with respect to coconut oil wholly of Philippine production or produced from materials wholly of Philippine growth or production, shall be held as a separate fund and paid to the Treasury of the Philippine Islands, but if at any time the Philippine Government provides by any law for any subsidy to be paid to the producers of copra, coconut oil, or allied products, no further payments to the Phillipine Treasury shall be made under this section.]

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SEC. 2800. TAX.

(a) RATE.—

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(4) ALCOHOLIC COMPOUNDS FROM [PUERTO RICO, VIRGIN ISLANDS, AND PHILIPPINES] *PUERTO RICO AND VIRGIN ISLANDS.*—

(A) PUERTO RICO.—Except as provided in section 3123, upon bay rum, or any article containing alcohol, brought from Puerto Rico into the United States for consumption or sale there shall be paid a tax on the spirits contained therein at the rate imposed on distilled spirits produced in the United States, to be collected at the port of entry by the collector of internal revenue of the district in which the port is located. The Commissioner, with the approval of the Secretary, is authorized to make such rules and regulations as may be necessary to carry this paragraph into effect.

(B) VIRGIN ISLANDS [AND PHILIPPINES].—For provisions relating to tax on alcoholic compounds from *the* Virgin [Islands and Philippines, see sections 3350 and 3340] *Islands, see section 3350.*

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CHAPTER 28— * * *

SUBCHAPTER B—PROVISIONS OF SPECIAL APPLICATION TO THE [PHILIPPINES, VIRGIN ISLANDS,] *VIRGIN ISLANDS* AND PUERTO RICO

[PART I—PHILIPPINE ISLANDS

[SEC. 3340. SHIPMENTS TO THE UNITED STATES.

[(a) TAX IMPOSED IN UNITED STATES.—

[(1) AMOUNT.—There shall be levied, collected, and paid, in the United States, upon articles, goods, wares, or merchandise coming into the United States from the Philippine Islands a tax equal to the internal-revenue tax imposed in the United States upon the like articles, goods, wares, or merchandise of domestic manufacture.

[(2) PAYMENT.—Such tax shall be paid by internal revenue stamp or stamps, to be provided by the Commissioner, and to be affixed in such manner and under such regulations as he, with the approval of the Secretary, shall prescribe.

[(b) EXEMPTION FROM TAX IMPOSED IN THE PHILIPPINE ISLANDS.—Such articles, goods, wares, or merchandise shipped from said islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of the Philippine Islands.

[SEC. 3341. SHIPMENTS FROM THE UNITED STATES.

[(a) TAX IMPOSED IN PHILIPPINE ISLANDS.—

[(1) AMOUNT.—There shall be levied, collected, and paid in the Philippine Islands, upon articles, goods, wares, or merchandise going into the Philippine Islands from the United States, a tax equal to the internal revenue tax imposed in the Philippine Islands upon the like articles, goods, wares, or merchandise of Philippine Islands manufacture.

[(2) PAYMENT.—Such tax shall be paid by internal revenue stamps or otherwise, as provided by the laws of the Philippine Islands.

[(b) EXEMPTION FROM TAX IMPOSED IN UNITED STATES.—Such articles, goods, wares, or merchandise going into the Philippine Islands from the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of the United States.

[(c) DRAWBACK OF TAX PAID IN THE UNITED STATES.—All provisions of law for the allowance of drawback of internal revenue tax on articles exported from the United States are, so far as applicable, extended to like articles upon which an internal revenue tax has been paid when shipped from the United States to the Philippine Islands.

[SEC. 3342. IMPORTS FROM COUNTRIES OTHER THAN THE UNITED STATES.

[In addition to the customs taxes imposed in the Philippine Islands, there shall be levied, collected, and paid therein upon articles, goods, wares, or merchandise imported into the Philippine Islands from countries other than the United States the internal revenue tax imposed by the Philippine Government on like articles manufactured and consumed in the Philippine Islands or shipped thereto for consumption therein from the United States.

[SEC. 3343. DEPOSIT OF INTERNAL REVENUE COLLECTIONS.

[(a) PAYMENT INTO THE PHILIPPINE TREASURY.—All internal revenues collected in or for account of the Philippine Islands shall accrue intact to the general government thereof and be paid into the insular treasury.

[(b) PHILIPPINE TRUST FUND.—The duties and taxes collected in the Philippine Archipelago in pursuance of the act of March 8, 1902, c. 140, 32 Stat. 54, and all duties and taxes collected in the United States upon articles coming from the Philippine Archipelago and upon foreign vessels coming therefrom, shall not be covered into the general fund of the Treasury of the United States, but shall be held as a separate fund and paid into the treasury of the Philippine Islands, to be used and expended for the government and benefit of said islands.

[(c) CROSS REFERENCE.—

[For special provisions relating to taxes collected in the case of coconut oil, see section 2476.]

[PART II] *PART I*—VIRGIN ISLANDS

SEC. 3350. SHIPMENTS TO THE UNITED STATES.

(a) TAXES IMPOSED IN THE UNITED STATES.—Except as provided in section 3123, there shall be levied, collected, and paid in the United States, upon articles coming into the United States from the Virgin Islands, a tax equal to the internal revenue tax imposed in the United States upon like articles of domestic manufacture.

(b) EXEMPTION FROM TAX IMPOSED IN THE VIRGIN ISLANDS.—Such articles shipped from such islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of such islands.

SEC. 3351. SHIPMENTS FROM THE UNITED STATES.

(a) TAX IMPOSED IN VIRGIN ISLANDS.—There shall be levied, collected, and paid in the Virgin Islands upon articles imported from the United States, a tax equal to the internal revenue tax imposed in such islands upon like articles there manufactured.

(b) EXEMPTION FROM TAX IMPOSED IN THE UNITED STATES.—Such articles going into such islands from the United States shall be exempt from payment of any tax imposed by the internal revenue laws of the United States.

(c) DRAW-BACK OF TAX PAID IN THE UNITED STATES.—All provisions of law for the allowance of draw-back of internal revenue tax on articles exported from the United States are, so far as applicable, extended to like articles upon which an internal revenue tax has been paid when shipped from the United States to the Virgin Islands.

[PART III] *PART II*—PUERTO RICO

SEC. 3360. SHIPMENTS TO THE UNITED STATES.

(a) RATE OF TAX.—Except as provided in section 3123, articles of merchandise of Puerto Rican manufacture coming into the United States and withdrawn for consumption or sale shall be subject to a tax equal to the internal revenue tax imposed in the United States upon the like articles of merchandise of domestic manufacture.

(b) PAYMENT OF TAX.—

(1) UPON ENTRY INTO UNITED STATES.—Such tax shall be paid by internal revenue stamp or stamps to be purchased and provided by the Commissioner and to be procured from the collector of internal revenue at or most convenient to the port of entry of said merchandise in the United States, and to be affixed under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe.

(2) BEFORE SHIPMENT FROM PUERTO RICO.—All United States internal revenue taxes imposed by law on articles of Puerto Rican manufacture coming into the United States for consumption or sale may be paid by affixing to such articles before shipment thereof a proper United States internal revenue stamp denoting such payment.

(A) APPOINTMENT OF DEPUTY COLLECTOR AT SAN JUAN.—For the purpose of carrying into effect the provisions of paragraph (2) of this subsection, the Secretary is authorized to grant to such collector of internal revenue as may be recommended by the Commissioner, and approved by the Secretary, an allowance for the salary and expenses of a deputy collector to be stationed at San Juan, Puerto Rico, the appointment of this deputy to be approved by the Secretary.

(B) Bond of deputy collector at San Juan.—Before entering upon the duties of his office such deputy collector shall execute a bond, payable to the collector appointing him, in such amount and with such sureties as he may determine.

(C) Duties of deputy collector at San Juan.—The collector will place in the hands of such deputy all stamps necessary for the payment of the proper tax on articles produced in Puerto Rico and shipped to the United States, and the said deputy, upon proper payment made for said stamps, shall issue them to manufacturers in Puerto Rico. All such stamps so issued or transferred to said deputy shall be charged to the collector and be accounted for by him as in the case of other tax-paid stamps. The deputy collector assigned to this duty shall perform such other work in connection with the inspection and stamping of such articles, and shall make such returns as the Commissioner may, by regulations approved by the Secretary, direct.

(D) General laws applicable.—All provisions of law relative to the appointment, duties, and compensation of deputy collectors, including office rent and other necessary expenses, shall, so far as applicable, apply to the deputy assigned to duty under the provisions of paragraph (2) of this subsection.

(c) Deposit of Internal Revenue Collections.—All taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island, shall be covered into the treasury of Puerto Rico.

SEC. 3361. SHIPMENTS FROM THE UNITED STATES.

(a) Tax Imposed in Puerto Rico.—All articles of merchandise of United States manufacture coming into Puerto Rico shall be entered at the port of entry upon payment of a tax equal in rate and amount to the internal revenue tax imposed in Puerto Rico upon the like articles of Puerto Rican manufacture.

(b) Exemption From Tax Imposed in the United States.—Articles, goods, wares, or merchandise going into Puerto Rico, Guam, and American Samoa from the United States shall be exempted from the payment of any tax imposed by the internal revenue laws of the United States.

(c) Drawback of Tax Paid in the United States.—All provisions of law for the allowance of drawback of internal revenue tax on articles exported from the United States are, so far as applicable, extended to like articles upon which an internal revenue tax has been paid when shipped from the United States to Puerto Rico, Guam, or American Samoa.

Tariff Act of 1930

[SEC. 301. PHILIPPINE ISLANDS.

[There shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from foreign countries: *Provided,* That all articles, the growth or product of or manufactured in the Philippine Islands from materials the growth or product of the Philippine Islands or of the United States, or of both, or which do not contain foriegn materials to the value of more than 20 per centum of their total value, upon which no drawback of customs duties has been allowed therein, coming into the United States from the Philippine Islands shall hereafter be admitted free of duty: *Provided, however,* That in consideration of the exemptions aforesaid, all articles, the growth, product, or manufacture of the United States, upon which no drawback of customs duties has been allowed therein, shall be admitted to the Philippine Islands from the United States free of duty: *And provided further,* That the free admission, herein provided, of such articles, the growth, product, or manufacture of the United States, into the Philippine Islands, or of the growth, product, or manufacture, as hereinbefore defined, of the Philippine Islands into the United States, shall be conditioned upon the direct shipment thereof, under a through bill of lading, from the country of origin to the country of destination: *Provided,* That direct shipments shall include shipments in bond through foreign territory contiguous to the United States: *Provided, however,* That if such articles become unpacked while en route by accident, wreck, or other casualty, or so damaged as to necessitate their repacking, the same shall be admitted free of duty upon satisfactory proof that the unpacking occurred through accident or necessity and that the merchandise involved is the identical merchandise originally shipped from

the United States or the Philippine Islands, as the case may be, and that its condition has not been changed except for such damage as may have been sustained: *And provided,* That there shall be levied, collected, and paid, in the United States, upon articles, goods, wares, or merchandise coming into the United States from the Philippine Islands a tax equal to the internal-revenue tax imposed in the United States upon the like articles, goods, wares, or merchandise of domestic manufacture; such tax to be paid by internal-revenue stamp or stamps, to be provided by the Commissioner of Internal Revenue, and to be affixed in such manner and under such regulations as he, with the approval of the Secretary of the Treasury, shall prescribe; and such articles, goods, wares, or merchandise shipped from said islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of the Philippine Islands: *And provided further,* That there shall be levied, collected, and paid in the Philippine Islands, upon articles, goods, wares, or merchandise going into the Philippine Islands from the United States, a tax equal to the internal-revenue tax imposed in the Philippine Islands upon the like articles, goods, wares, or merchandise of Philippine Islands manufacture; such tax to be paid by internal-revenue stamps or otherwise, as provided by the laws of the Philippine Islands; and such articles, goods, wares, or merchandise going into the Philippine Islands from the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of the United States: *And provided further,* That in addition to the customs taxes imposed in the Philippine Islands, there shall be levied, collected, and paid therein upon articles, goods, wares, or merchandise imported into the Philippine Islands from countries other than the United States the internal-revenue tax imposed by the Philippine Government on like articles manufactured and consumed in the Philippine Islands or shipped thereto for consumption therein from the United States: *And provided further,* That from and after the passage of this Act all internal revenues collected in or for account of the Philippine Islands shall accrue intact to the general government thereof and be paid into the insular treasury.]

Act of March 24, 1934, as Amended

Sec. 6. [During the period beginning January 1, 1940, and ending July 3, 1946, trade relations between the United States and the Philippines shall be as now provided by law, subject to the following exceptions:

[(a) On and after January 1, 1941, the Philippine Government shall impose and collect an export tax on every Philippine article shipped from the Philippines to the United States, except as otherwise specifically provided in this section. Said tax shall be computed in the manner hereinafter set forth in this subsection and in subsection (c) of this section. During the period January 1, 1941, through December 31, 1941, the export tax on every such article shall be 5 per centum of the United States duty; on each succeeding January 1 thereafter the export tax shall be increased progressively by an additional 5 per centum of the United States duty, except that during the period January 1, 1946, through July 3, 1946, the export tax shall remain at 25 per centum of the United States duty.

[(b) (1) No export tax described in subsection (a) of this section shall be imposed or collected upon any Philippine article of a class or kind in respect of which a quota is established by subdivision (3) of this subsection, nor upon copra or manila (abaca) fiber not dressed or manufactured in any manner.

[(2) The United States duty shall be levied, collected, and paid in the United States upon every article which is of a class or kind in respect of which a quota is established by subdivision (3) of this subsection and which is entered, or withdrawn from warehouse, for consumption after December 31, 1939, in excess of its respective quota: *Provided, however,* That nothing in this section or any subsection thereof shall be construed to exempt the quota of coconut oil therein provided for from the excise taxes provided for in section 2470 of the Internal Revenue Code (I. R. C., ch. 21, sec. 2470).

[(3) For the purposes indicated in subdivisions (1) and (2) of this subsection, there are hereby established the following quotas of the designated Philippine articles: For the calendar year 1940, the quotas, hereafter called original quotas, shall be as follows:

[a. cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes including wrappers), two hundred million cigars;

[b. scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, four million five hundred thousand pounds;

[c. coconut oil, two hundred thousand long tons;

[d. buttons of pearl or shell, eight hundred and fifty thousand gross.
For each calendar year thereafter through the calendar year 1945, each of the said quotas shall be the same as the corresponding quota for the immediately preceding calendar year, less 5 per centum of the corresponding original quota.

[For the period January 1, 1946, through July 3, 1946, each of said quotas shall be one-half of the corresponding quota specified for the calendar year 1945.

[(c) The Philippine Government, in imposing and collecting export taxes on Philippine embroideries, shall compute the tax in accordance with the formulas specified in subsection (a) of this section, except that in determining the taxable value of any such article, an allowance shall be made equal to the cost—cost, insurance, and freight the Philippines—of any cloth of United States origin used in the production thereof.

[(d) The United States duty shall be levied, collected, and paid, in the United States, upon all Philippine sugars, which are entered, or withdrawn from warehouse, for consumption in any calendar year after 1939, in excess of eight hundred and fifty thousand long tons, of which not more than fifty thousand long tons may be refined sugars: *Provided, however*, That for the period January 1, 1946, through July 3, 1946, the quota of Philippine sugars, not subject to the United States duty, shall be four hundred and twenty-five thousand long tons, of which not more than twenty-five thousand long tons may be refined sugars. Any export tax imposed and collected on Philippine sugars entered or withdrawn from warehouse for consumption in excess of the quotas established by this subsection shall be refunded by the Philippine Government.

[(e) Upon the expiration of the Act of June 14, 1935 (49 Stat. 340), as extended to May 1, 1941, by proclamation of the President, dated January 26, 1938, the total amount of all Philippine cordage coming into the United States which may be entered or withdrawn from warehouse, for consumption during the remainder of the calendar year 1941, shall not exceed four million pounds and in any calendar year after 1941 shall not exceed six million pounds: *Provided, however*, That for the period January 1, 1946, through July 3, 1946, the total amount of Philippine cordage which may be entered, or withdrawn from warehouse, for consumption shall not exceed three million pounds.

[(f) (1) The quotas for sugars established by subsection (d) of this section shall be allocated annually as prescribed in section 6 (d) of the Act of March 24, 1934 (48 Stat. 456), which section in this respect is not repealed by this amendatory Act.

[(2) The quotas for cordage, established by subsection (e) of this section, and by the Act of June 14, 1935, shall be allocated by authorities of the Philippine Government among the manufacturers of such commodities proportionately upon the basis of the shipment of each such manufacturer to the United States during the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines.

[(3) The quotas for all articles for which quotas are established by this section, except sugars and cordage, shall in each instance be allocated by authorities of the Philippine Government among the manufacturers whose products were shipped to the United States during the calendar year 1937, on the basis of the proportion which each manufacturer's maximum production shipped to the United States, directly or through other persons, in any calendar year during the five-year period, 1933 through 1937, bears to the total of such maximum shipments of all such manufacturers.

[(4) If, after the first nine months of any quota year, the holder of any allotment under any of the quotas established by this Act or by the Act of June 14, 1935, is or will be unable for any reason to ship to the United States by the end of the quota year the total amount of his allocation for that year, the Philippine Government shall apportion that amount of such allocation which it is established by sufficient evidence cannot be shipped to the United States during the remainder of the quota year in such manner and in accordance with such rules and regulations as it may prescribe.]

(g) (1) The Philippine Government shall pay to the Secretary of the Treasury of the United States, at the end of each calendar quarter, all of the moneys received during such quarter from export taxes (less refunds), imposed and collected in accordance with the provisions of this section, and said moneys shall be deposited in an account with the Treasurer of the United States and shall constitute a supplementary sinking fund for the payment of bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress: *Provided, however*, That moneys received from any export tax imposed on any article which is shipped from the Philippines to the United States prior to

July 4, 1946, and which is entered, or withdrawn from warehouses for consumption, on or after July 4, 1946, shall be refunded by the independent Government of the Philippines.

(2) The said Secretary of the Treasury is authorized to accept the deposits of the proceeds of the export taxes referred to in subdivision (1) of this subsection in accordance with the Act of June 11, 1934 (48 Stat. 929).

(3) The Secretary of the Treasury of the United States, with the approval of the Philippine Government, is authorized to purchase with such supplementary sinking-fund bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress and to invest such fund in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. Whenever the Secretary of the Treasurer finds that such fund is in excess of an amount adequate to meet future interest and principal payments on all such bonds, he may, with the approval of the Philippine Government, purchase with such excess any other bonds of the Philippines, its Provinces, cities, municipalities, and instrumentalities. For the purpose of this subsection obligations may be acquired on original issue at par, or by purchase of outstanding obligations at the market price. Any obligations acquired by the fund may, with the approval of the Philippine Government, be sold by the Secretary of the Treasury at the market price and the proceeds of such sale and the proceeds of the payment upon maturity or redemption of any obligations held in the supplementary sinking fund, as well as all moneys in any manner earned by such fund or on any obligations acquired by said fund, shall be paid into the said fund.

(4) During the three months preceding July 4, 1946, the Philippine Government and the Secretary of the Treasury of the United States shall confer to ascertain that portion of the bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress, which will remain outstanding on July 4, 1946; and the Philippine Government shall turn over to the Secretary of the Treasury of the United States for destruction all such bonds that are then held, canceled, or uncanceled, in any of the sinking funds maintained for the payment of such bonds. After such outstanding portion of this indebtedness is thus determined, and before July 4, 1946, (i) there shall be set up with the Treasurer of the United States a special trust account in the name of the Secretary of the Treasury of the United States to pay future interest and principal payments on such bonds; (ii) the Philippine Government shall pay to the Secretary of the Treasury of the United States for deposit in this special trust account all of the sinking funds maintained for the payment of such bonds; and (iii) the Secretary of the Treasury of the United States shall transfer into this special trust account all of the proceeds of the supplementary sinking fund referred to in subdivision (1) of this subsection. Any portion of such special trust account found by the Secretary of the Treasury of the United States on July 4, 1946, to be in excess of an amount adequate to meet future interest and principal payments on all such outstanding bonds shall be turned over to the Treasury of the independent Government of the Philippines to be set up as an additional sinking fund to be used for the purpose of liquidating and paying all other obligations of the Philippines, its Provinces, cities, municipalities, and instrumentalities. To the extent that such special trust account is determined by the Secretary of the Treasury of the United States to be insufficient to pay interest and principal on the outstanding bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress, the Philippine Government shall, on or before July 3, 1946, pay to the Secretary of the Treasury of the United States for deposit in such special trust account an amount which said Secretary of the Treasury determines is required to assure payment of principal and interest on such bonds: *Provided, however*, That if the Secretary of the Treasury of the United States finds that this requirement would impose an undue hardship upon the Philippines, then the Philippine Government shall continue to provide annually the necessary funds for the payment of interest and principal on such bonds until such time as the Secretary of the Treasury of the United States determines that the amount in the special trust account is adequate to meet interest and principal payments on such bonds.

(5) On and after July 4, 1946, the Secretary of the Treasury of the United States is authorized, with the approval of the independent Government of the Philippines, to purchase at the market price for the special trust account bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress. The Secretary of the Treasury of the United States is also authorized, with the approval of the independent Govern-

ment of the Philippines, to invest all or any part of such special trust account in any interest-bearing obligations of the United States or in any obligations guaranteed as to both principal and interest by the United States. Such obligations may be acquired on original issue at par or by purchase of outstanding obligations at the market price, and any obligations acquired by the special trust account may, with the approval of the independent Government of the Philippines, be sold by the Secretary of the Treasury at the market price and the proceeds of the payment upon maturity or redemption of such obligations shall be held as a part of such special trust account. Whenever the special trust account is determined by the Secretary of the Treasury of the United States to be adequate to meet interest and principal payments on all outstanding bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of Acts of Congress, the Secretary of the Treasury is authorized to pay from such trust account the principal of such outstanding bonds and to pay all interest due and owing on such bonds. All such bonds and interest coupons paid or purchased by the special trust account shall be canceled and destroyed by the Secretary of the Treasury of the United States. From time to time after July 4, 1946, any moneys in such special trust account found by the Secretary of the Treasury of the United States to be in excess of an amount adequate to meet interest and principal payments on all such bonds shall be turned over to the treasurer of the independent Government of the Philippines.

[(h) No article shipped from the Philippines to the United States on or after January 1, 1941, subject to an export tax provided for in this section, shall be admitted to entry in the United States until the importer of such article shall present to the United States collector of customs a certificate, signed by a competent authority of the Philippine Government, setting forth the value and quantity of the article and the rate and amount of the export tax paid, or shall give a bond for the production of such certificate within six months from the date of entry.]

* * * * * * *

TARIFF DUTIES AFTER INDEPENDENCE

SEC. 13. [After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries:]

There shall promptly be held a conference of representatives of the Government of the United States and the Government of the Commonwealth of the Philippines, such representatives on the part of the Government of the United States to consist of three United States Senators appointed by the President of the Senate, three Members of the House of Representatives appointed by the Speaker of the House, and three persons appointed by the President of the United States, and on the part of the Philippines to consist of nine representatives to be appointed by the President of the Commonwealth of the Philippines; each appointee shall serve at the pleasure of his appropriate appointing authority; the said Commission to be known as the Filipino Rehabilitation Commission, subject to the following conditions and with the following powers and duties:

(a) The members of the Commission shall be appointed not later than fifteen days after the passage of this Act. Within ten days thereafter the ranking member of the Senate appointees and the ranking member of the Filipino appointees shall jointly call a meeting of the Commission to be held in the Capitol of the United States for the purpose of organization. In case of death or resignation of a member, such vacancy shall be filled by the original appointing power.

(b) The Commission shall investigate all matters affecting postwar economy, trade, finance, economic stability, and rehabilitation of the Philippine Islands, including the matter of damages to public and private property and to persons occasioned by enemy attack and occupation.

(c) To formulate recommendations based upon such investigations and for future trade relations between the United States and the independent Philippine Republic when established and to consider the extension of the present or heretofore agreed upon trade relations or otherwise for a period of years to make adjustments for the period of occupancy by the Japanese in order to reestablish trade relations as provided for in the original Independence Act.

(d) The Commission is authorized to employ expert legal and clerical assistance, to establish offices in the Philippine Islands and in the United States, and to make rules and regulations for the transaction of its business pertinent to the provisions of this Act.

(e) The Commission shall make annual reports to the President of the United States and to the Congress, and to the President and the Congress of the Philippines, and more frequently if so desired, and make such recommendations from time to time as it deems necessary to carry out the purposes and intents of this Act.

(f) The Commission is authorized to fix the salary of all necessary expert and clerical assistance, to provide for travel and other expenses incident to its labor, and to do all other things pertinent to this Act. The annual compensation of the United States members of this Commission, other than those holding official positions under the United States Government, shall be on a per diem basis at the rate of $10,000 per annum. The compensation of the Philippine members of the Commission shall be determined by the Government of the Philippine Commonwealth. The United States, as herein provided, shall compensate the members of the Commission who represent it, and the Commonwealth of the Philippines, or the Filipino Republic, as the case may be, shall compensate the members of the Commission appointed by it or them. Otherwise, the expenses of the Commission shall be equally borne by the United States and the Commonwealth of the Philippines, or the Filipino Republic, as the case may be.

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Calendar No. **1161**

79TH CONGRESS
2D SESSION

H. R. 5856

[Report No. 1145]

IN THE SENATE OF THE UNITED STATES

APRIL 1 (legislative day, MARCH 5), 1946
Read twice and referred to the Committee on Finance

APRIL 10 (legislative day, MARCH 5), 1946
Reported by Mr. WALSH, with amendments

[Omit the part struck through and insert the part printed in italic]

AN ACT

To provide for trade relations between the United States and the Philippines, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE AND DEFINITIONS

SECTION 1. SHORT TITLE.

This Act may be cited as the "Philippine Trade Act of 1946".

SEC. 2. DEFINITIONS.

(a) For the purposes of this Act—

(1) The term "person" includes partnerships, corporations, and associations.

(2) The term "United States", when used in a

geographical sense, means the States, the District of Columbia, the Territories of Alaska and Hawaii, and Puerto Rico.

(3) The term "ordinary customs duty" means a customs duty based on the article as such (whether or not such duty is also based in any manner on the use, value, or method of production of the article, or on the amount of like articles imported, or on any other factor); but does not include—

(A) a customs duty based on an act or omission of any person with respect to the importation of the article, or of the country from which the article is exported, or from which it comes; or

(B) a countervailing duty imposed to offset a subsidy, bounty, or grant; or

(C) an anti-dumping duty imposed to offset the selling of merchandise for exportation at a price less than the prevailing price in the country of export; or

(D) any tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws; or

(E) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; or the tax imposed by section 3500 of the Internal Revenue Code.

(4) The term "Philippine article" means an article which is the product of the Philippines, unless, in the case of an article produced with the use of materials imported into the Philippines from any foreign country (except the United States) the aggregate value of such imported materials at the time of importation into the Philippines was more than twenty per centum of the value of the article imported into the United States, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the United States in effect at the time of importation of such article. As used in this paragraph the term "value", when used in reference to a material imported into the Philippines, includes the value of the material ascertained under the customs laws of the Philippines in effect at the time of importation into the Philippines,

and, if not included in such value, the cost of bringing the material to the Philippines, but does not include the cost of landing it at the port of importation, or customs duties collected in the Philippines. For the purposes of this paragraph any imported material, used in the production of an article in the Philippines, shall be considered as having been used in the production of an article subsequently produced in the Philippines, which is the product of a chain of production in the Philippines in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(5) The term "United States article" means an article which is the product of the United States, unless, in the case of an article produced with the use of materials imported into the United States from any foreign country (except the Philippines) the aggregate value of such imported materials at the time of importation into the United States was more than twenty per centum of the value of the article imported into the Philippines, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the Philippines in effect at the time of importation of such article. As used in this paragraph

the term "value", when used in reference to a material imported into the United States, includes the value of the material ascertained under the customs laws of the United States in effect at the time of importation into the United States, and, if not included in such value, the cost of bringing the material to the United States, but does not include the cost of landing it at the port of importation, or customs duties collected in the United States. For the purposes of this paragraph any imported material, used in the production of an article in the United States, shall be considered as having been used in the production of an article subsequently produced in the United States, which is the product of a chain of production in the United States in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(6) The term "United States duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the United States for consumption, of the Philippine article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest

rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(7) The term "Philippine duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the Philippines for consumption, of the United States article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(8) The term "internal tax" includes an internal fee, charge, or exaction, and includes—

(A) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; and the tax imposed by section 3500 of the Internal Revenue Code; and

(B) any other tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains

a provision to the effect that it shall be treated as a duty imposed under the customs laws.

(b) For the purposes of sections 221 (b) and 321 (b), any material, used in the production of an article, shall be considered as having been used in the production of an article subsequently produced, which is the product of a chain of production in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(c) For the purposes of paragraphs (6) and (7) of subsection (a) of this section—

(1) if an article is entitled to be imported from a foreign country free of ordinary customs duty, that country shall be considered as the country entitled to the lowest rate of ordinary customs duty with respect to such article; and

(2) a reduction in ordinary customs duty granted any country, by law, treaty, trade agreement, or otherwise, with respect to any article, shall be converted into the equivalent reduction in the rate of ordinary customs duty otherwise applicable to such article.

(d) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to

exclude other things otherwise within the meaning of the term defined.

TITLE II—LAWS AND PROPOSED OBLIGATIONS OF UNITED STATES

Part 1—Customs Duties

SEC. 201. FREE ENTRY OF PHILIPPINE ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, Philippine articles entered, or withdrawn from warehouse, in the United States for consumption shall be admitted into the United States free of ordinary customs duty.

SEC. 202. ORDINARY CUSTOMS DUTIES ON PHILIPPINE ARTICLES.

(a) JULY 4, 1954–JULY 3, 1974.—The ordinary customs duty to be collected on Philippine articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined by applying the following percentages of the United States duty:

(1) JULY 4, TO DECEMBER 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) CALENDAR YEAR 1955.—During the calendar year 1955, 10 per centum.

(3) CALENDAR YEARS 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the United States duty.

(4) PERCENTAGE AFTER 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(5) EXCEPTIONS TO ABOVE RULES.—The provisions of this subsection shall not be applicable to the classes of articles referred to in section 214 (a) of Part 2 of this title (relating to quotas).

(b) PERIOD AFTER JULY 3, 1974.—The ordinary customs duty to be collected on Philippine articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined without regard to the provisions of subsection (a) of this section or of section 214.

SEC. 203. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on Philippine articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 201 and 202 (a), but shall be subject to the provisions of section 204.

SEC. 204. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to Philippine articles imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 205. EQUALITY IN DUTIES ON PRODUCTS OF PHILIPPINES.

(a) With respect to products of the Philippines, which do not come within the definition of Philippine articles, imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country (except Cuba), or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country (except Cuba).

(b) As used in this section the term "duty" includes

taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 2—Quotas

SEC. 211. ABSOLUTE QUOTA ON SUGARS.

(a) Definition of Philippine Sugars.—For the purpose of this section, an article shall not be considered "Philippine sugars" unless it is a Philippine article.

(b) Definition of Refined Sugars.—As used in this section the term "refined sugars" has the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(c) Amount of Quota.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine sugars which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 850,000 ~~short~~ *long* tons, of which not to exceed 50,000 ~~short~~ *long* tons may be refined sugars; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 425,000 ~~short~~ *long* tons, of which not to exceed 25,000 ~~short~~ *long* tons may be refined sugars.

(d) Allocation of Quotas for Unrefined Sugars.—The quota for unrefined sugars, including that required to manufacture the refined sugars, established by this

section, shall be allocated annually to the sugar-producing mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932, and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them, or any extension, modification, or renewal thereof.

(e) Allocation of Quotas for Refined Sugars.—The quota for refined sugars established by this section shall be allocated annually to the manufacturers of refined sugars in the Philippines in the calendar year 1940 whose refined sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of refined sugars produced by each such manufacturer (or in the case of such successor in interest, the amount of refined sugars produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 212. ABSOLUTE QUOTA ON CORDAGE.

(a) DEFINITION OF "CORDAGE".—As used in this section the term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930, as amended), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber.

(b) DEFINITION OF "PHILIPPINE CORDAGE".—For the purpose of this section, an article shall not be considered "Philippine cordage" unless it is a product of the Philippines.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine cordage which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 6,000,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 3,000,000 pounds.

(d) ALLOCATION OF QUOTAS.—The quota for cordage established by this section shall be allocated annually to the manufacturers of cordage in the Philippines in the calendar year 1940 whose cordage was exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of cordage

produced by each such manufacturer (or in the case of such successor in interest, the amount of the cordage produced by his predecessor in interest) which was exported to the United States during the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines.

SEC. 213. ABSOLUTE QUOTA ON RICE.

(a) DEFINITION OF RICE.—As used in this section the term "rice" includes rice meal, flour, polish, and bran.

(b) DEFINITION OF PHILIPPINE RICE.—For the purposes of this section, an article shall not be considered "Philippine rice" unless it is a Philippine article.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine rice which, in any calendar year may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 1,040,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 520,000 pounds.

SEC. 214. ABSOLUTE AND DUTY-FREE QUOTAS ON CERTAIN ARTICLES.

(a) ABSOLUTE QUOTAS.—

AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of the following articles which

are Philippine articles, and which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed the amounts specified as to each:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), two hundred million cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, six million five hundred thousand pounds;

(3) Coconut oil, two hundred thousand long tons; and

(4) Buttons of pearl or shell, eight hundred and fifty thousand gross.

During the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed one-half of the amount above specified with respect to each class of articles, respectively.

(b) Duty-Free Quotas.—

(1) In general.—Philippine articles falling within one of the classes specified in subsection (a) of this section, which during the period from January 1, 1946, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for

consumption, shall be free of ordinary customs duty, in the quantities and for the periods set forth in the following table:

PERIODS [Calendar Year]	AMOUNT OF DUTY-FREE QUOTAS			
	Cigars Referred to in subsection (a) (1) [Number]	Tobacco Referred to in subsection (a) (2) [Pounds]	Coconut Oil [Long Tons]	Buttons of Pearl or Shell [Gross]
Each of Calendar Years 1946–1954	200, 000, 000	6, 500, 000	200, 000	850, 000
1955	190, 000, 000	6, 175, 000	190, 000	807, 500
1956	180, 000, 000	5, 850, 000	180, 000	765, 000
1957	170, 000, 000	5, 525, 000	170, 000	722, 500
1958	160, 000, 000	5, 200, 000	160, 000	680, 000
1959	150, 000, 000	4, 875, 000	150, 000	637, 500
1960	140, 000, 000	4, 550, 000	140, 000	595, 000
1961	130, 000, 000	4, 225, 000	130, 000	552, 500
1962	120, 000, 000	3, 900, 000	120, 000	510, 000
1963	110, 000, 000	3, 575, 000	110, 000	467, 500
1964	100, 000, 000	3, 250, 000	100, 000	425, 000
1965	90, 000, 000	2, 925, 000	90, 000	382, 500
1966	80, 000, 000	2, 600, 000	80, 000	340, 000
1967	70, 000, 000	2, 275, 000	70, 000	297, 500
1968	60, 000, 000	1, 950, 000	60, 000	255, 000
1969	50, 000, 000	1, 625, 000	50, 000	212, 500
1970	40, 000, 000	1, 300, 000	40, 000	170, 000
1971	30, 000, 000	975, 000	30, 000	127, 500
1972	20, 000, 000	650, 000	20, 000	85, 000
1973	10, 000, 000	325, 000	10, 000	42, 500
1974	0	0	0	0

(2) DUTY ON IMPORTS IN EXCESS OF DUTY-FREE QUOTA.—Any such Philippine article so entered or withdrawn from warehouse in excess of the duty-free quota provided in paragraph (1) shall be subject to 100 per centum of the United States duty, despite the provisions of section 202 of this title (which provides rates of less

than 100 per centum of the United States duty with respect to Philippine articles). Nothing in this subsection shall be construed as enlarging the absolute quotas provided in subsection (a) of this section.

(c) ALLOCATION OF QUOTAS.—Each of the quotas established by this section shall be allocated annually to the manufacturers in the Philippines in the calendar year 1940 of products of a class for which such quota is established, and whose products of such class were exported to the United States during such year, or their successors in interest, proportionately on the basis of the amount of the products of such class produced by each such manufacturer (or in the case of such successor in interest, the amount of the products of such class produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 215. LAWS PUTTING INTO EFFECT ALLOCATIONS OF QUOTAS.

The necessary laws and regulations for putting into effect the allocation of quotas on the basis provided for in sections 211, 212, and 214, respectively, shall not be enacted by the United States, it being the purpose of this title that such laws and regulations shall be enacted by the Philippines.

SEC. 216. TRANSFERS AND ASSIGNMENTS OF QUOTA ALLOTMENTS.

The holder of any allotment under existing law, including his successor in interest, and the holder of any allotment under any of the quotas established by sections 211, 212, or 214, may transfer or assign all or any amount of such allotment on such terms as may be agreeable to the parties in interest. If, after the first nine months of any calendar year, the holder of any allotment, for that year, under any of the quotas established by such sections, is or will be unable for any reason to export to the United States all of his allotment, in time to fulfill the quota for that year, that amount of such allotment which it is established by sufficient evidence cannot be so exported during the remainder of the calendar year may be apportioned bv the Philippine Government to other holders of allotments under the same quota, or in such other manner as will insure the fulfillment of the quota for that year: *Provided*, That no transfer or assignment or reallocation under the provisions of this section shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

Part 3—Internal Taxes

SEC. 221. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the Philippines coming into the United States, or with respect

to articles manufactured in the United States wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the United States, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the United States, or (2) with respect to materials used in the production of a like article which is the product of the United States, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the Philippines is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

(c) This section shall not apply to the taxes imposed

under section 2306, 2327, or 2356 of the Internal Revenue Code.

SEC. 222. EXEMPTION FROM TAX OF MANILA FIBER.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 223. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the United States on articles exported to the Philippines.

SEC. 224. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to articles coming into the United States for the official use of the Philippine Government or any department or agency thereof.

Part 4—Immigration

SEC. 231. CERTAIN PHILIPPINE CITIZENS GRANTED NON-QUOTA STATUS.

(a) Any citizen of the Philippines who actually resided in the United States for a continuous period of three years during the period of forty-two months ending November 30, 1941, if entering the United States during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the United States, shall, for the purposes of the

immigration laws, be considered a non-quota immigrant; and shall not be excluded from entry into the United States by reason of section 13 (c) of the Immigration Act of 1924, or by reason of so much of section 3 of the Immigration Act of 1917 as provides for the exclusion from admission into the United States of natives of a therein specified geographical area.

(b) After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the United States for permanent residence.

(c) The benefits of this section shall also apply to his wife, if a citizen of the Philippines or eligible to United States citizenship, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

(d) This section shall not apply to a citizen of the Philippines admitted to the Territory of Hawaii, without an immigration or passport visa, under the provisions of paragraph (1) of section 8 (a) of the Act of March 24, 1934 (48 Stat. 456, ch. 84).

TITLE III—OBLIGATIONS OF PHILIPPINES

Part 1—Purposes of Title

SEC. 301. STATEMENT OF PURPOSES OF TITLE.

(a) Period Until July 4, 1946.—The following

Parts and sections of this title, insofar as they are applicable to the period from the date of the enactment of this Act to July 3, 1946, both dates inclusive, are intended to, and shall, operate as statutes of the United States, binding on one of its possessions.

(b) PERIOD JULY 4, 1946–JULY 3, 1974.—The following Parts and sections of this title, although expressed in statutory form, are not in any manner intended, insofar as they are applicable to the period after July 3, 1946, as an attempt on the part of the Congress of the United States to legislate for the Republic of the Philippines as a sovereign nation, but constitute a statement in precise terms of provisions—

(1) which the Government of the Philippines, on the taking effect of the executive agreement provided for in Title IV of this Act, will be obligated to observe and execute as the law of the Republic of the Philippines during the effectiveness of the agreement; except that the observance of such part of the provisions of section 341 as is in conflict with the Constitution of the Philippines will not be required under such agreement for the period prior to the amendment to the constitution referred to in section 402 (b); and

(2) which, between the proclamation of the independence of the Philippines and the date of the taking

effect of such executive agreement, will, according to the policy and expectations of the Congress of the United States, be observed and executed by the Government of the Philippines.

Part 2—Customs Duties

SEC. 311. FREE ENTRY OF UNITED STATES ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, United States articles entered, or withdrawn from warehouse, in the Philippines for consumption shall be admitted into the Philippines free of ordinary customs duty.

SEC. 312. ORDINARY CUSTOMS DUTIES ON UNITED STATES ARTICLES.

(a) JULY 4, 1954–JULY 3, 1974.—The ordinary customs duty to be collected on United States articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined by applying the following percentages of the Philippine duty:

(1) JULY 4, TO DECEMBER 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) CALENDAR YEAR 1955.—During the calendar year 1955, 10 per centum.

(3) CALENDAR YEARS 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the Philippine duty.

(4) PERCENTAGE AFTER 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(b) PERIOD AFTER JULY 3, 1974.—The ordinary customs duty to be collected on United States articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined without regard to the provisions of subsection (a) of this section.

SEC. 313. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on United States articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 311 and 312 (a), but shall be subject to the provisions of section 314.

SEC. 314. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to United States articles imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid

in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 315. EQUALITY IN DUTIES ON PRODUCTS OF UNITED STATES.

(a) With respect to products of the United States, which do not come within the definition of United States articles, imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 3—Internal Taxes

SEC. 321. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the United States coming into the Philippines, or with respect

to articles manufactured in the Philippines wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the Philippines, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the Philippines, or (2) with respect to materials used in the production of a like article which is the product of the Philippines, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the United States is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

SEC. 322. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the Philippines on articles exported to the United States.

SEC. 323. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the Philippines with respect to articles coming into the Philippines for the official use of the United States Government or any department or agency thereof.

Part 4—Immigration

SEC. 331. CERTAIN UNITED STATES CITIZENS GIVEN NON-QUOTA STATUS.

Any citizen of the United States who actually resided in the Philippines for a continuous period of three years during the period of forty-two months ending November 30, 1941, if entering the Philippines during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the Philippines, shall, for the purposes of the immigration laws, be considered a non-quota immigrant. After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the Philippines for permanent residence. The benefits of this section shall also

apply to his wife, if a citizen of the United States, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

SEC. 332. IMMIGRATION OF UNITED STATES CITIZENS INTO THE PHILIPPINES.

Citizens of the United States, admissible to the Philippines under the provisions required by section 402 (e) to be included as a part of the executive agreement made under Title IV, shall be entitled to enter the Philippines, in the numbers and during the periods of years, and to remain therein for the time, specified in that part of the agreement which embodies the provisions of section 402 (e).

Part 5—Miscellaneous

SEC. 341. RIGHTS OF UNITED STATES CITIZENS AND BUSINESS ENTERPRISES IN NATURAL RESOURCES

The disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities, shall, if open to any person, be open to citizens of the United States and to all forms of business

enterprise owned or controlled, directly or indirectly, by United States citizens.

SEC. 342. CURRENCY STABILIZATION.

The value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 343. ALLOCATION OF QUOTAS.

The allocation, reallocation, transfer, and assignment of quotas established by sections 211, 212, and 214, respectively, of Part 2 of Title II, shall be on the basis provided for in such Part.

TITLE IV—EXECUTIVE AGREEMENT BETWEEN UNITED STATES AND PHILIPPINES

SEC. 401. AUTHORIZATION OF AGREEMENT.

The President of the United States is authorized (except as hereinafter in this title otherwise provided) to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of the provisions of Title II and of Title III (except Part 1) of this Act. The President of the United States is not authorized by this section to enter into such agreement unless it contains a provision that it shall not take effect—

(a) Unless and until the Congress of the Philippines accepts it by law; and

(b) Unless and until the Congress of the Philippines (in the act of acceptance, or separately) has enacted such legislation as may be necessary to make all the provisions of Parts 2, 3, 4, and 5 of Title III take effect as laws of the Philippines, except (during the period prior to the amendment to the Constitution of the Philippines referred to in subsection (b) of section 402) such provisions of section 341 as are in conflict with such constitution.

SEC. 402. OBLIGATIONS OF PHILIPPINES.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in the agreement the Government of the Philippines agrees—

(a) That the Republic of the Philippines will continue in effect as laws of the Philippines, during the effectiveness of the agreement, the provisions of Parts 2, 3, 4, and 5 of Title III, except (for the period prior to the amendment of the Constitution of the Philippines referred to in subsection (b) of this section) such part of the provisions of section 341 as is in conflict with such constitution.

(b) That the Government of the Philippines will promptly take such steps as are necessary to secure the amendment of the Constitution of the Philippines so as to permit the taking effect as laws of the Philippines of such

part of the provisions of section 341 as is in conflict with such constitution before such amendment.

(c) That the Republic of the Philippines will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary—

(1) to supplement the legislation referred to in section 401 (b), and to implement the provisions of Parts 2, 3, 4, and 5 of Title III; and

(2) to put and keep in effect during the effectiveness of the agreement, the allocation, reallocation, transfer, and assignment of quotas on the basis provided for in Part 2 of Title II.

(d) That the United States shall have the right to provide the basis for the allocation of the quotas established under that portion of the agreement which sets forth the provisions of section 403 (c) of this Act, and that, if the United States exercises such right, the Republic of the Philippines will promptly enact, and keep in force during the period for which each such quota is established, such legislation as is necessary to put and keep in effect, on the basis provided by the United States, the allocation of such quotas.

(e) That there shall be permitted to enter the Philippines, without regard to any numerical limitations under the laws of the Philippines, in each of the years of a speci-

fied period of years, ~~of~~ a specified number of citizens of the United States. The number of years (which shall not be less than five) the number of citizens of the United States (which shall not be less than one thousand) entitled to be so admitted in each year, and the length of time each shall be entitled to remain in the Philippines, shall be stated in the agreement.

(f) That the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 403. OBLIGATIONS OF UNITED STATES.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in such agreement the Government of the United States agrees—

(a) That upon the taking effect of the agreement the provisions of Title II—

(1) if in effect as laws of the United States at the time the agreement takes effect, shall continue in effect as laws of the United States during the effectiveness of the agreement; or

(2) if not so in effect at the time the agreement takes effect (because suspended under section 502 of

Title V) shall take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

(b) That the United States will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary to supplement and implement the provisions of Title II so continued in effect, or so made to take effect, as laws of the United States.

(c) That with respect to quotas on Philippine articles (other than the quotas established in Part 2 of Title II, and other than quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles), the United States will not establish any such quota for any period before January 1, 1948; and that, for any part of the period from January 1, 1948, to July 3, 1974, both dates inclusive, it will establish such a quota only if—

(1) the President of the United States, after investigation, finds that such Philippine articles are coming, or are likely to come, into substantial competition with like articles the product of the United States; and

(2) the quota established for any Philippine article for any twelve-month period is not less than the amount determined by the President as the total amount of Philippine articles of such class which (during the twelve

months ended on the last day of the month preceding the month in which occurs the date proclaimed by the President as the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption; or, if the quota is established for any period other than a twelve-month period, is not less than a proportionate amount.

(d) That during the effectiveness of the agreement the United States will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue Code (relating to processing taxes on coconut oil, etc.) with respect to articles "wholly the production of the Philippine Islands" or articles "produced wholly from materials the growth or production of the Philippine Islands"; except that it may suspend the provisions of subsection (a) (2) of such section during any period as to which the President of the United States, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States.

SEC. 404. TERMINATION OF AGREEMENT.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides—

(a) TERMINATION IN GENERAL.—That the agreement shall have no effect after July 3, 1974; and

(b) TERMINATION BY EITHER PARTY.—

(1) that the agreement may be terminated by either party at any time, upon not less than five years' notice; and

(2) that if the President of the United States or the President of the Philippines determines and proclaims that the other country has adopted or applied measures or practices which would operate to nullify or impair any right or obligation provided for in such agreement, then the agreement may be terminated upon not less than six months' notice; and

(c) TERMINATION OR SUSPENSION BY THE UNITED STATES.—

(1) that if the President of the United States determines that a reasonable time for the making of the amendment to the Constitution of the Philippines referred to in section 402 (b) has elapsed, but that such amendment has not been made, he shall so proclaim and the executive agreement shall have no effect after the date of such proclamation; and

(2) that if the President of the United States determines and proclaims, after consultation with the

President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, then the United States shall have the right to suspend the effectiveness of the whole or any portion of the agreement; and

(3) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the discrimination which was the basis for the suspension under paragraph (2) of this subsection—

(A) has ceased, the suspension effected under paragraph (2) shall end; or

(B) has not ceased after the lapse of a time determined by the President of the United States to be reasonable, then the United States shall have the right to terminate the agreement upon not less than six months' notice.

SEC. 405. EFFECT OF TERMINATION OF AGREEMENT.

Upon the termination of the agreement as provided in section 404, the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 406. INTERPRETATION OF AGREEMENT.

The President of the United States is not authorized by

section 401 to enter into such executive agreement unless it provides that the acceptance of the provisions of Titles II and III is on the understanding that the definitions, and provisions in the nature of definitions, contained in section 2 of Title I, shall apply in the interpretation of the provisions so accepted.

SEC. 407. TERMINATION OF AUTHORITY TO MAKE AGREEMENT.

Whenever the President of the United States determines that a reasonable time for the entering into, acceptance and taking effect, of the executive agreement has elapsed, but that such agreement has not taken effect, he shall so proclaim, and thereupon his authority to enter into such executive agreement shall terminate, and the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 408. EFFECTIVE DATE OF AGREEMENT.

When the President of the United States determines that the executive agreement entered into under section 401 has been accepted by the Congress of the Philippines by law and that the Congress of the Philippines has enacted the legislation the enactment of which is, under section 401, a condition precedent to the taking effect of the agreement, he shall so proclaim, and in his proclamation specify the effective date of the agreement.

TITLE V—MISCELLANEOUS

SEC. 501. SUSPENSION AND TERMINATION OF AGREEMENT IN CASE OF DISCRIMINATION.

(a) Suspension.—If the President of the United States determines, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, he shall so proclaim, and thereupon the effectiveness of the agreement, or such part thereof as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States, shall be suspended.

(b) Termination of Suspension.—If the President of the United States, after consultation with the President of the Philippines, determines that the discrimination which was the basis for the suspension under subsection (a) of this section has ceased, he shall so proclaim, and thereupon the suspension effected under subsection (a) shall end.

(c) Termination of Agreement.—If the President of the United States, after consultation with the President of the Philippines, determines that such discrimination has not ceased, after the lapse of a time determined by him to be reasonable, he shall so proclaim and give to the Philip-

pine Government notice of the intention of the United States to terminate the agreement.

(d) Laws of the United States.—

(1) In case of suspension.—If the effectiveness of the agreement is suspended under subsection (a) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States during the period of the suspension. If the suspension is of the effectiveness of only part of the agreement, then such provisions of Title II as the President may in his proclamation under subsection (a) specify as necessary adequately to protect the interests of the United States, shall cease to have effect as laws of the United States during the period of this suspension.

(2) In case of termination.—If the agreement is terminated under subsection (c) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States.

SEC. 502. SUSPENSION OF TITLE II.

If the President finds that, during the period after July 3, 1946, and before the taking effect of the executive agreement provided for in Title IV, the Government of the Philippines is not putting into effect, or making every effort to put into effect, to the fullest extent possible under its Constitution, the provisions of Title III of this

Act, or is not providing for the allocation of quotas on the basis provided in section 211, 212, or 214, respectively, he shall so proclaim. On the day following the date of such proclamation, such provisions of Title II shall be suspended as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States. Such suspension shall continue until the taking effect of the executive agreement provided for in Title IV, whereupon the suspension shall terminate and the suspended provisions shall again take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

SEC. 503. CUSTOMS DUTIES ON IMPORTATIONS FROM PHILIPPINES.

Articles coming or imported into the United States from the Philippines, and Philippine products coming or imported into the United States, shall, except as otherwise provided with respect to Philippine articles by Title II of this Act during the period such title is in effect—

(1) if entered, or withdrawn from warehouse, in the United States for consumption, during the period from the day after the date of the enactment of this Act to July 3, 1946, both dates inclusive, be subject to the same duties as like articles coming or imported into the United States from foreign countries, except Cuba; and

(2) if so entered or withdrawn during the period after July 3, 1946, be subject to the same duties as like articles coming or imported into the United States from other foreign countries, except Cuba.

SEC. 504. QUOTAS ON PHILIPPINE ARTICLES.

(a) Establishment by President.—After the executive agreement referred to in Title IV has taken effect, then whenever the President of the United States, after the investigation by the United States Tariff Commission provided for in subsection (d), finds, with respect to any Philippine articles (other than those for which quotas are established by Part 2 of Title II), that they are coming, or likely to come, into substantial competition with like articles which are the product of the United States, he shall so proclaim, and in his proclamation shall establish the total amount of such Philippine articles which may in each of specified periods be entered, or withdrawn from warehouse, in the United States for consumption. If he finds that the allocation of any quota so established is necessary to make the application of the quota just and reasonable between the United States and the Philippines, he shall, in such proclamation or a subsequent proclamation, provide the basis for such allocation.

(b) Maximum and Minimum Quotas.—No quota shall be established under subsection (a), with respect to a

Philippine article, which is greater than the ~~smallest~~ amount of such article which in each of such specified periods the President determines may be so entered or withdrawn from warehouse without coming into substantial competition with like articles which are the product of the United States; except that in no case shall the quota be less than the minimum amount provided in that portion of such executive agreement which sets forth the provisions of section 403 (c) (2) of this Act.

(c) Duration of Quotas.—Any quota established pursuant to this section shall become effective at such time as the President shall designate (but not before January 1, 1948), and shall continue in effect until the President, after investigation, finds and proclaims that the conditions which gave rise to the establishment of such quota no longer exist, but no such quota shall continue in effect after the termination of the executive agreement provided for in Title IV.

(d) Investigations by Tariff Commission.—The United States Tariff Commission shall at the request of the President, upon resolution of either House of Congress or concurrent resolution of both Houses of Congress, upon its own motion, or when in its judgment there is good reason therefor, upon application of any interested party, make an investigation to ascertain (1) whether imports of a Philip-

pine article (other than an article for which a quota is established by Part 2 of Title II) are coming, or are likely to come, into substantial competition with like articles which are the product of the United States; (2) what is the greatest amount of such article which may be entered, or withdrawn from warehouse, in the United States for consumption, without coming into substantial competition with like articles which are the product of the United States; and (3) the total amount of such article which (during the twelve months ended on the last day of the month preceding the month in which occurs the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption. During the course of the investigation the Commission shall hold a public hearing, of which reasonable public notice shall be given and at which parties interested shall be afforded reasonable opportunity to be present, to produce evidence, and to be heard. The Commission shall give precedence to such investigations. The Commission shall report the results of its investigations to the President, and shall send copies of such report to each House of the Congress.

SEC. 505. PROCESSING TAX ON COCONUT OIL.

(a) Exemption for Philippines.—Section 2470 (a) (2) of the Internal Revenue Code is amended by strik-

ing out the word "other" wherever it appears in clauses (A) and (B) thereof; and by inserting at the end of the paragraph a new sentence to read as follows: "The tax imposed by this paragraph shall not apply to any domestic processing after July 3, 1974."

(b) SUSPENSION OF SECTION 2470 (a) (2) OF INTERNAL REVENUE CODE.—Whenever the President, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States, he shall so proclaim, and after the date of such proclamation the provisions of section 2470 (a) (2) of the Internal Revenue Code shall be suspended until the expiration of 30 days after he proclaims that, after consultation with the President of the Philippines, he has found that such adequate supplies are so readily available.

SEC. 506. TERMINATION OF PAYMENTS INTO PHILIPPINE TREASURY.

(a) Notwithstanding the provisions of section 4 of the Act of March 8, 1902 (32 Stat. 54, ch. 140), or of section 19 of the Act of March 24, 1934 (48 Stat. 456, ch. 84), as added to such Act by section 6 of the Act of August 7, 1939 (53 Stat. 1232, ch. 502), or of the Act of November 8, 1945 (59 Stat. 577, ch. 454), or of any other provision of law, the proceeds of any duties or taxes, collected subsequent to

July 3, 1946, which but for the enactment of this Act would be required to be paid into the general funds of the Treasury of the Philippines or would be held in separate or special funds and paid into the Treasury of the Philippines, shall be covered into the general fund of the Treasury of the United States.

(b) Sections 2476 and 3343 of the Internal Revenue Code are repealed, effective July 4, 1946.

SEC. 507. SPECIAL EXCISE PROVISIONS RELATING TO THE PHILIPPINES REPEALED.

(a) Section 2800 (a) (4) of the Internal Revenue Code is amended by amending the heading to read:

"(4) Alcoholic Compounds from Puerto Rico and Virgin Islands.—";

and by amending subparagraph (B) to read as follows:

"(B) Virgin Islands.—For provisions relating to tax on alcoholic compounds from the Virgin Islands, see section 3350."

(b) Sections 3340, 3341, and 3342 of the Internal Revenue Code are repealed, effective July 4, 1946.

(c) Subchapter B of Chapter 28 of the Internal Revenue Code is amended as follows:

(1) By amending the heading of such subchapter to read as follows:

"SUBCHAPTER B—PROVISIONS OF SPECIAL APPLICATION TO THE VIRGIN ISLANDS AND PUERTO RICO"

(2) By striking out the heading:

"Part I—Philippine Islands"

(3) By renumbering Parts II and III of such subchapter as "Part I" and "Part II", respectively.

SEC. 508. TRADE AGREEMENTS WITH THE PHILIPPINES.

Until July 4, 1974, no trade agreement shall be made with the Philippines under section 350, as amended, of the Tariff Act of 1930, unless, prior to such time, the President of the United States has made the proclamation provided for in section 407 of this Act, or the executive agreement provided for in Title IV of this Act has been terminated.

SEC. 509. RIGHTS OF THIRD COUNTRIES.

The benefits granted by this Act, and by the executive agreement provided for in Title IV, to the Philippines, Philippine articles or products, and Philippine citizens, shall not, by reason of any provision of any existing treaty or agreement with any third country, be extended to such country or its products, citizens, or subjects.

SEC. 510. ADMINISTRATION OF TITLE II.

(a) The provisions of Parts 1, 2, and 3 of Title II

shall be administered as parts of the customs and internal revenue laws of the United States.

(b) The provisions of Part 4 of Title II shall be administered as a part of the immigration laws of the United States.

SEC. 511. REPEALS.

The following parts of Acts are repealed, effective on the day following the date of the enactment of this Act:

(1) section 301 of the Tariff Act of 1930;

(2) section 6 (except subsection (g)) of the Act of March 24, 1934 (48 Stat. 456, ch. 84), as amended by the Act of August 7, 1939 (53 Stat. 1226, ch. 502); and

(3) so much of section 13 of such Act of March 24, 1934, as amended by the joint resolution of June 29, 1944 (58 Stat. 626, ch. 323), as reads as follows: "After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries:".

SEC. 512. EFFECTIVE DATE.

This Act shall take effect on the day after the date of

its enactment, except Part 2 of Title II, which shall take effect as of January 1, 1946.

SEC. 513. APPLICATION *OF INTERNAL REVENUE LAWS* TO PUERTO RICO.

Section 9 of the Act of March 2, 1917 (39 Stat. 951, ch. 145) is amended to read as follows:

"SEC. 9. That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal revenue laws other than those contained in the Philippine Trade Act of 1946: *Provided, however,* That hereafter all taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico."

Passed the House of Representatives, March 29, 1946.

Attest: SOUTH TRIMBLE,

Clerk.

Calendar No. 1161

79TH CONGRESS
2D SESSION

H. R. 5856

[Report No. 1145]

AN ACT

To provide for trade relations between the United States and the Philippines, and for other purposes.

APRIL 1 (legislative day, MARCH 5), 1946

Read twice and referred to the Committee on Finance

APRIL 10 (legislative day, MARCH 5), 1946

Reported with amendments

DIGEST OF CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

Issued April 15, 1946
For actions of Apr. 12 & 13, 1946
79th-2nd, Nos. 67 & 68

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HIGHLIGHTS: House debated selective-service extension. House Agriculture Committee submitted resolution asking abolition of meat subsidies. Senate passed bill to transfer fur-animal research from Interior to Agriculture. Senate passed Bankhead bill to provide basic authority for rural-rehabilitation program and liberalize various farm-tenancy provisions. Senate passed bill to extent Farm Bankruptcy Act until June 4, 1946. Senate passed Philippine trade bill; debate includes discussion of sugar quotas and production. Senate committee reported bill to give present forest-grazing permittees permanent rights. Senate passed bill to broaden veterans' preference for surplus property.

HOUSE - April 12

1. SELECTIVE SERVICE. Began debate on H. R. 6064, to continue the Selective Training and Service Act (pp. 3654-95).

2. FOREIGN SERVICE. Passed with amendments H. R. 5244, to authorize appointment of additional foreign-service officers in the classified grades (pp. 3695-6).

3. MEAT SUBSIDIES. Chairman Flannagan of the Agriculture Committee inserted a resolution "unanimously adopted by the Committee...recommending the abolition of meat subsidies" (pp. 3696-8).

4. LIBRARY REPORT. Received the annual report of the Library of Congress (p. 3698).

5. U. N. EDUCATIONAL, SCIENTIFIC, AND CULTURAL ORGANIZATION. The Foreign Affairs Committee reported with amendment H. J. Res. 305, to provide for U. S. participation in this Organization (H. Rept. 1927)(p. 3698).

6. GRAIN SHORTAGE. Received a petition from Brooklyn residents opposing curtailment of grain use for beer (p. 3699).

SENATE - April 12

7. FUR-ANIMAL RESEARCH. Passed with amendment (to correct a typographical error) H. R. 2115, to transfer from Interior to Agriculture the research on fur-bearing animals (pp. 3627-8). A companion bill, S. 566, was indefinitely postponed.

8. BILL OF RIGHTS DAY. Passed with amendment H. J. Res. 273, requesting the President to designate Dec. 15, 1946, as Bill of Rights Day (p. 3627). S. J. Res. 86, a companion measure, was indefinitely postponed.

9. RURAL REHABILITATION; FARM TENANCY. Passed without amendment S. 1507, to provide basic authority for the rural-rehabilitation program and make various amendments to the Bankhead-Jones Farm Tenant Act (pp. 3628-9). For provisions of the bill see Digest 186 (1945).

10. FARM BANKRUPTCY. Passed H. R. 5504, to continue the Farm Bankruptcy Act, with a committee amendment to continue the Act until June 4, 1946, rather than June 4, 1947 (pp. 3621, 3631).

11. EXPORT CONTROL. Passed without amendment S. 1980, to continue the act providing for control of exports of items necessary for defense purposes (pp. 3632-3).

12. SURPLUS PROPERTY. Passed as reported S. 1757, to broaden the scope and raise the rank of veterans' preference provided for in the Surplus Property Act of 1944 (pp. 3634-5).

13. TRANSPORTATION. Discussed and, at the request of Sen. Aiken, Vt., passed over H. R. 5316, to repeal the law permitting Canadian vessels to transport iron ore between U. S. ports on the Great Lakes in order to provide more shipping for grain (p. 3636).

14. EMPLOYEES' COMPENSATION ACT. Passed as reported S. 1325, to amend this Act by extending it to foreign-service and certain other officers, dollar-a-year personnel and others rendering personal services to the Government for nominal compensation or without compensation, etc.; making the benefits provided by the Act the exclusive remedy against the U. S. for injury or death of its civilian personnel; preventing payment by the U. S. of dual benefits for the same injury or death where a right to benefits under more than one Federal statute arises out of the same service; establishing "proper basis" for the computation of pay in making compensation awards (pp. 3637-8).

15. FORESTRY; GRAZING LANDS. The Public Lands and Surveys Committee reported with amendments S. 33, to confer upon present users of national-forest range or purchasers from users an exclusive and perpetual right to grazing permits, to define kind of property commensurate with and prerequisite to permitted use of range, and to provide for advisory boards in connection with use of range (S. Rept. 1176) (p. 3602).

16. SURPLUS PROPERTY DISPOSAL. Passed with amendment S. 1636, to amend the Surplus Property Act so as to designate the State Department as disposal agency for surplus property outside the U.S. (pp. 3624-5).

17. PHILIPPINE TRADE RELATIONS. Passed as reported H. R. 5856, to provide for trade relations between the U.S. and the Philippines (pp. 3603, 3605-12). During the debate Sens. Walsh (Mass.), Ellender (La.) and others discussed sugar quotas and sugar production in the U.S. (pp. 3607-10).

18. PRICE CONTROL. Sen. Mitchell, Wash., inserted an Ephrata (Wash.) C of C resolution favoring continuation of OPA (p. 3602).

Sen. Capper, Kans., inserted a Wichita (Kans.) businessmen's telegram opposing continuation of OPA (p. 3602).

SENATE MILITARY AFFAIRS COMMITTEE, SUBCOMMITTEE ON WAR MOBILIZATION

APRIL 1, 1946.

To the Senate:

The above-mentioned committee hereby submits the following report showing the names of persons employed by the committee who are not full-time employees of the Senate or of the committee for the month of March 1946, in accordance with the terms of Senate Resolution 319, agreed to August 23, 1944:

Name of individual	Address	Name and address of department or organization by whom paid	Annual rate of compensation
Ann S. Gertler	3721 39th St. NW., Washington, D. C.	Department of Interior, Washington, D. C.	$2,980.00
Joan P. Karasik	1919 19th St. NW., Washington, D. C.	Foreign Economic Administration, Washington, D. C.	4,300.00
C. Theodore Larson	3917 N. 5th St., Arlington, Va.	National Housing Agency, Washington, D. C.	6,230.00
Fritzie P. Manuel	1621 T St. NW., Washington, D. C.	State Department, Washington, D. C.	5,180.00
Darel McConkey	509 Fontaine St., Alexandria, Va.	Department of the Interior, Washington, D. C.	6,230.00
Cora L. Moen	5327 16th St. NW., Washington, D. C.	Office of Price Administration, Washington, D. C.	2,650.00
Elizabeth H. Oleksy	1620 Fuller St. NW., Washington, D. C.	Office of War Mobilization and Reconversion, Washington, D. C.	3,090.00
Mary Jane Oliveto	500 B St. NE., Washington, D. C.	National Housing Agency, Washington, D. C.	2,100.00
Francis C. Rosenberger	5814 64th Ave., East Riverdale, Md.	Office of Price Administration, Washington, D. C.	6,230.00
Herbert Schimmel	5603 Minnesota Ave. SE., Washington, D. C.	Office of War Mobilization and Reconversion, Washington, D. C.	9,012.50

H. M. KILGORE, *Chairman.*

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WALSH:

S. 2058. A bill for the relief of Stanislaw Nahorski; to the Committee on Immigration.

By Mr. VANDENBERG:

S. 2059. A bill for the relief of Gentaro Takahashi; to the Committee on Immigration.

By Mr. BANKHEAD:

S. 2060. A bill to provide continued ratings of permanent and total degree where active tuberculosis has been established and to terminate reduction of pension, compensation, or retired pay under laws administered by the Veterans' Administration in the cases of veterans without dependents who are hospitalized or domiciled; to the Committee on Finance.

By Mr. THOMAS of Utah:

S. 2061. A bill to provide for sundry matters affecting the armed forces, and for other purposes; to the Committee on Military Affairs.

By Mr. RADCLIFFE:

S. J. Res. 153. Joint resolution providing for the comprehensive observance of the bicentennial of John Paul Jones; to the Committee on the Library.

HEALTH PROGRAMS FOR GOVERNMENT EMPLOYEES—AMENDMENT

Mr. MURDOCK submitted an amendment intended to be proposed by him to the bill (H. R. 2716) to provide for health programs for Government employees, which was ordered to lie on the table and to be printed.

ISSUANCE OF OIL AND GAS LEASES COVERING CERTAIN LANDS—INDEFINITE POSTPONEMENT OF SENATE JOINT RESOLUTION 150

Mr. CAPEHART. Mr. President, I ask unanimous consent that the Committee on Public Lands and Surveys be discharged from further consideration of Senate Joint Resolution 150, authorizing and directing the Secretary of the Interior to issue oil and gas leases covering certain lands, introduced by me, and referred to that committee, and that the joint resolution may be indefinitely postponed.

The PRESIDENT pro tempore. Without objection, it is so ordered.

TITLE TO CERTAIN SUBMERGED OIL LANDS—INDEFINITE POSTPONEMENT OF SENATE RESOLUTION 222

Mr. CAPEHART. Mr. President, I ask unanimous consent that Senate Resolution 222, temporarily postponing hearings on Senate Joint Resolution 48 and House Joint Resolution 225, relating to title to lands under certain tidewaters and navigable waters, submitted by me on January 28, 1946, and which was ordered to lie over under the rule, may be indefinitely postponed.

The PRESIDENT pro tempore. Without objection, it is so ordered.

THE NEW DRUG RUTIN—ARTICLE BY GERSON H. LUSH

[Mr. BILBO asked and obtained leave to have printed in the RECORD an article by Gerson H. Lush, dealing with the source of rutin, a new drug to combat high blood pressure, published in the Philadelphia Inquirer of April 7, 1946, which appears in the Appendix.]

AMERICA AS A WORLD EXAMPLE—ARTICLE BY MERWIN K. HART

[Mr. BUCK asked and obtained leave to have printed in the RECORD an article entitled "America Has Abandoned Her Role," written by Merwin K. Hart, president of the National Economic Council, Inc., which appears in the Appendix.]

DEMAND FOR HIRED FARM LABOR—ARTICLE FROM BISMARCK (N. DAK.) TRIBUNE

[Mr. YOUNG asked and obtained leave to have printed in the RECORD an artcle entitled "Demand for Hired Farm Labor Continues as Major Problem," published in the Bismarck (N. Dak.) Tribune of April 9, 1946, which appears in the Appendix.]

PEACETIME MILITARY TRAINING

[Mr. WHEELER asked and obtained leave to have printed in the RECORD a letter dealing with peacetime military training and conscription, from James D. Graham, president of the Montana State Federation of Labor, which appears in the Appendix.]

PHILIPPINE TRADE ACT OF 1946

The PRESIDENT pro tempore. Under the unanimous-consent agreement of yesterday, the Chair lays before the Senate House bill 5856.

The Senate proceeded to consider the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, which had been reported from the Committee on Finance, with amendments.

Mr. WALSH. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gossett	Myers
Andrews	Gurney	O'Daniel
Austin	Hart	O'Mahoney
Ball	Hawkes	Overton
Bankhead	Hayden	Radcliffe
Barkley	Hickenlooper	Reed
Bilbo	Johnson, Colo.	Revercomb
Bridges	Knowland	Robertson
Brooks	La Follette	Saltonstall
Buck	Langer	Shipstead
Bushfield	Lucas	Smith
Capehart	McCarran	Stanfill
Capper	McClellan	Stewart
Carville	McFarland	Taft
Connally	McKellar	Taylor
Cordon	McMahon	Thomas, Utah
Donnell	Magnuson	Vandenberg
Downey	Maybank	Walsh
Ellender	Millikin	Wheeler
Ferguson	Mitchell	Wherry
Fulbright	Morse	Wilson
Gerry	Murdock	Young

Mr. BARKLEY. I announce that the Senator from North Carolina [Mr. BAILEY] and the Senator from Virginia [Mr. GLASS] are absent because of illness.

The Senator from Alabama [Mr. HILL] and the Senator from Ohio [Mr. HUFFMAN] are absent because of deaths in their families.

The Senator from Georgia [Mr. GEORGE], the Senator from New Mexico [Mr. HATCH], and the Senator from Delaware [Mr. TUNNELL] are absent by leave of the Senate.

The Senator from Missouri [Mr. BRIGGS], the Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from West Virginia [Mr. KILGORE], the Senator from Montana [Mr. MURRAY], the Senator from Georgia [Mr. RUSSELL], and the Senator from Oklahoma [Mr. THOMAS] are detained on public business.

The Senator from North Carolina [Mr. HOEY] is a member of the committee on the part of the Senate attending the funeral of the late Representative from North Carolina, Hon. William O. Burgin, and is, therefore, necessarily absent.

The Senator from Florida [Mr. PEPPER], the Senator from Rhode Island [Mr. GREEN], the Senator from Pennsylvania [Mr. GUFFEY], the Senator from South Carolina [Mr. JOHNSTON], the Senators from New York [Mr. MEAD and Mr. WAGNER], and the Senator from Maryland [Mr. TYDINGS] are necessarily absent.

The Senator from New Mexico [Mr. CHAVEZ] is absent on official business.

Mr. WHERRY. The Senator from Nebraska [Mr. BUTLER], the Senator from Oklahoma [Mr. MOORE], and the Senator from Indiana [Mr. WILLIS] are absent by leave of the Senate.

The Senator from New Hampshire [Mr. TOBEY] and the Senator from Wisconsin [Mr. WILEY] are absent on official business.

The Senator from Maine [Mr. BREWSTER] is necessarily absent.

The PRESIDENT pro tempore. Sixty-six Senators having answered to their names, a quorum is present.

CONFIRMATION OF NOMINATIONS TO THE TAX COURT

Mr. WALSH obtained the floor.

Mr. CONNALLY. Mr. President, will the Senator yield to me?

Mr. WALSH. I yield.

Mr. CONNALLY. The President of the United States has sent to the Senate three nominations to The Tax Court of the United States, which are on the Executive Calendar. I ask unanimous consent that, as in executive session, the nominations may now be considered and confirmed.

The PRESIDENT pro tempore. The clerk will state the nominations for the information of the Senate.

The legislative clerk read the nomination of LUTHER A. JOHNSON, of Texas, to be judge, for a term of 12 years from June 2, 1946.

The PRESIDENT pro tempore. Is there objection to the present consideration of the nomination?

Mr. WHERRY. Mr. President, I have no objection to consideration of the nomination, but I should like to ask the distinguished chairman of the Foreign Relations Committee if the committee held a hearing on this nomination?

Mr. CONNALLY. Yes; a formal meeting of the committee was had on the nomination.

Mr. WHERRY. And the committee favorably reported the nomination?

Mr. CONNALLY. Yes; the committee unanimously reported the nomination; the committee reported all three nominations favorably.

Mr. WHERRY. Very well. I have no objection to consideration of the nomination.

The PRESIDENT pro tempore. Is there objection to the present consideration of the nomination? The Chair hears none, and, without objection, the nomination is confirmed, and the President immediately notified.

The clerk will state the next nomination.

The legislative clerk read the nomination of Bolon B. Turner, of Arkansas, to be judge for a term of 12 years, from June 2, 1946.

The PRESIDENT pro tempore. Is there objection to the present consideration of the nomination?

Mr. WHERRY. Mr. President, will the Senator from Texas give us some information concerning this nomination?

Mr. CONNALLY. Judge Turner is the present presiding judge of the court, and he has been reappointed.

Mr. WHERRY. I thank the Senator.

The PRESIDENT pro tempore. Is there objection to the present consideration of the nomination? The Chair hears none, and, without objection, the nomination is confirmed, and the President immediately notified.

The legislative clerk read the nomination of J. Russell Leech, of Pennsylvania, to be judge for a term of 12 years from June 2, 1946.

The PRESIDENT pro tempore. Is there objection to the present consideration of the nomination.

Mr. WHERRY. Mr. President, may we have a statement from the distinguished Senator from Texas respecting this nomination?

Mr. CONNALLY. Mr. Leech is a former Representative in Congress. He has been on the court for many years. He is from Pennsylvania and is a good Republican.

Mr. WHERRY. And it was not necessary to have a hearing in his case?

Mr. CONNALLY. Oh, yes; we had a hearing on all three of the nominees.

The PRESIDENT pro tempore. Is there objection to the present consideration of the nomination? The Chair hears none, and, without objection, the nomination is confirmed, and the President will be immediately notified.

FOREIGN SERVICE

Mr. CONNALLY. I also ask unanimous consent, as in executive session, that the Senate consider the nomination of William D. Pawley, of Florida, to be Ambassador to Brazil.

The PRESIDENT pro tempore. The clerk will state the nomination for the information of the Senate.

The legislative clerk read the nomination of William D. Pawley, of Florida, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Brazil.

The PRESIDENT pro tempore. Is there objection to the present consideration of the nomination?

Mr. WHERRY. Mr. President, I should like to ask the distinguished Senator from Vermont [Mr. AUSTIN] if the Committee on Foreign Relations has considered the nomination, and if he cares to make any observations with respect to the nomination?

Mr. AUSTIN. Mr. President, the reason I am particularly interested in having this nomination considered at this time is that at my request the Senate Committee on Foreign Relations passed it over so that an investigation could be made of a matter, which I did investigate, and found was without foundation as an objection to the confirmation of Mr. Pawley. I am entirely in favor of the confirmation of his nomination, and because of the delay which I caused I am very glad to have it considered out of order at this time.

The PRESIDENT pro tempore. Is there objection to the present consideration of the nomination? The Chair hears none, and, without objection, the nomination is confirmed, and the President will be immediately notified.

Mr. CONNALLY. Mr. President, I wanted to make it clear that I wish to have the President immediately notified of the confirmation of these nominations, and I ask unanimous consent that he be notified.

The PRESIDENT pro tempore. The Chair will state to the Senator from Texas that such an order have been made.

THE HOUSING SHORTAGE

Mr. WHERRY. Mr. President, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks an editorial entitled "The Old Elixir," published in the Omaha (Nebr.) Morning World-Herald of April 10, 1946, which was before the vote was taken on the so-called emergency veterans' housing bill. I wish to invite attention particularly to the three closing paragraphs in the editorial.

To the rational mind it would seem obvious that, if the prices of building materials are not high enough to stimulate the utmost production, they should be raised. And the necessary advance should be charged to those who wish to, and are able to, build new homes. There are enough such, as any builder or architect will testify, to buy all the housing that can be provided for many years to come.

If, under such a set-up, it were felt that veterans were unduly handicapped, then perhaps Congress ought to consider offering them some additional benefits, to be given to all alike, in recognition of their services to the country.

But to offer Government bonuses to industry, on the theory that one relatively small group of veterans will be slightly benefited, is about as cockeyed a scheme as the mind of the bureaucrat has yet conceived.

Mr. President, I ask unanimous consent that the entire editorial be printed in the RECORD at this point as a part of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE OLD ELIXIR

Once again the administration shakes up its bottle of elixir of subsidy and prepares to give an ailing patient a heavy dose.

This time it is the housing industry.

The trouble, everyone agrees, is acute. Returning veterans can't find homes. Neither can other workers who for one reason or another are obliged to move from one city to another. Living in the street or with in-laws isn't very attractive.

Manifestly the housing industry isn't able to supply the demand. There isn't enough lumber, there aren't enough plumbing fixtures, and the like. So the need, obviously, is to stimulate production of the many items that go into the make-up of a modern American home.

There is strong testimony to the effect that OPA ceilings are to blame. Manufacturers of building materials have no incentive to produce bountifully. In some cases, it is stated, they can't operate at all without running into the red.

Even Washington's most advanced thinkers agree with this general analysis of the problem. But do they also agree that price ceilings should be modified in such a way as to permit the utmost production? Heavens, no! That, they say, would be inflationary.

Instead they ask that the Government borrow another $600,000,000 and use it as a sort of bonus, or bribe, to induce the housing materials industries to increase their output. The amount to be handed out to each subdivision of the many industries would be determined by the slide-rule lads in Washington.

Under that system every citizen who pays a Federal tax—and who does not?—would be making a contribution to the fortunate few who managed to get on the housing priority list. And the payments would continue far into the unpredictable atomic future.

To the rational mind it would seem obvious that, if the prices of building materials are not high enough to stimulate the utmost production, they should be raised. And the necessary advance should be charged to those who wish to, and are able to, build new homes. There are enough such, as any builder or architect will testify, to buy all the housing that can be provided for many years to come.

If, under such a set-up, it were felt that veterans were unduly handicapped, then perhaps Congress ought to consider offering them some additional benefits, to be given to all alike, in recognition of their services to the country.

But to offer Government bonuses to industry, on the theory that one relatively small group of veterans will be slightly benefited, is about as cockeyed a scheme as the mind of the bureaucrat has yet conceived.

PHILIPPINE TRADE ACT OF 1946

The Senate resumed consideration of the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, which had been reported from the Committee on Finance with amendments.

Mr. WALSH. Mr. President, House bill 5856 has already passed the House. It is an attempt to define the future trade relationship between the United States and the Philippines. As is well known, on July 4 next the Philippines will become independent; and unless some legislation is enacted, the Philippines will have a trade relationship with our country the same as that of every other country. Because of the friendly relationships which have existed through the years between the Philippines and our own Government, and because of the extreme sacrifices made and the economic ruin which has come to the Philippines because of their participation in the war in the Pacific, it has been felt essential that legislation should be enacted indicating to the Philippines what obligations we are willing to assume in our future trade relations and also defining the obligations of the Philippines.

I am sure that it is unnecessary for me to deal at length with the tremendous sacrifices, the loyalty, and the wonderful effort made by the Filipinos in the recent war, or to describe the desolation, ruin, and financial hardships which confront that country today and in the immediate future.

The bill fixing trade relationships consists of five titles. Although the bill appears to be long and complicated, in reality it is very simple.

The first title is confined to definitions. It is important to know what those definitions are, because later in the bill the definitions are not set forth in detail, but reference is made to the earlier definitions set forth in title I.

Title II sets forth the laws and proposed obligations of the United States.

Title III sets forth the obligations of the Philippines.

Title IV sets forth the requirements for the executive agreement between the United States and the Philippines.

Title V contains miscellaneous provisions.

The first and earlier proposal in regard to these relationships which was given consideration in the House Ways and Means Committee was that the Philippines should enjoy a relationship of free trade with our country for 20 years, and that we should have the right to export articles and commodities produced in this country on the same basis for 20 years. Let me add that the House Committee on Ways and Means spent many weeks and months on the bill. In reviewing the bill the Senate Finance Committee was able to find only a single change in the whole structure of the bill which was considered necessary. I shall refer to it in a moment.

The House Ways and Means Committee saw fit to change the period of time to be covered by the bill, and its action was approved by the House. The bill provides for 8 years of free trade between the United States and the Philippines, and thereafter 20 years of a sliding scale of tariff duties on the commodities mentioned in the bill. This period of time was fixed in anticipation of the fact that that number of years would be required for the Filipinos so to adjust their economic structure as to be able to get back to normal conditions and to enjoy what we all most ardently desire, an era of prosperity. That provision seems reasonable to the Finance Committee—namely, 8 years of free trade and 20 years of a sliding scale of rates, beginning at 5 percent and increasing to 100 percent, so that in 1974, when this contract expires, there will be a relationship between the Philippines and our own country similar to that between this country and every other country in the world, unless further legislation is enacted.

An important feature of the bill is that it provides for an executive agreement to be made by the President of the United States with the President of the Philippines. That agreement is to be made along the lines and in the details which are set forth in this bill. In other words, the President is expected to incorporate in the agreement with the Philippines, when the treaty is made, the exact terms and conditions which are imposed by this bill. I do not think it is essential to go into the details of the provisions of the bill insofar as our obligations to the Philippines are concerned or insofar as the obligations of the Philippines to us are concerned, except to say that the bill is drafted along the lines of maintaining the present trade relationship which we have for many years had with the Philippine people, and to maintain that relationship for the next 28 years, with the exception that during the first 8 years there is to be a relationship of free trade and thereafter progressively increasing preferential duties. The committee chose to follow this course on the theory that we should give encouragement to the Filipinos, that we should not suddenly and quickly, on the 4th of July next, put the Filipino people in the position of complete severance of preferential trade relations with us and not give them the benefit of the concessions which heretofore they have enjoyed. So with practically no exceptions whatever, the trade relationships under the provisions of the agreement are to be in conformity with existing dealings, under law, between the United States and the Filipino people.

The executive agreement which is provided for by the bill can be terminated by either party on 5 years' notice. It can be terminated on 6 months' notice if the President of the United States finds that the Philippine Government is not living up to its obligations. The bill authorizes the President to impose quotas if the importations are doing harm or injury to, or are working to the prejudice of, the United States of America.

Very briefly, Mr. President, those are the outstanding features of the bill.

The obligations into which we shall enter with the Filipinos under the laws which we are to pass in connection with our trade relations with them are to be practically identical with their obligations to us during the designated period of time.

If there are any questions which Senators wish to ask, I shall be pleased to answer them. Let me say briefly that the idea or the purpose is to perpetuate over a period of 28 years the friendly trade relationships and to permit the Filipinos to restore the economy which they enjoyed prior to the war, but which, of course, has disappeared. Today, the Philippine Islands are prostrate and the people are in a very sad plight. It is believed that this legislation will give them hope, will inspire them to carry on, and will indicate to them that the United States has not let them down suddenly and quickly without giving them a helping hand during the years ahead when they are to reconstruct their country and reconvert it to its normal business life and conditions.

Mr. AUSTIN. Mr. President, will the Senator yield for a question?

Mr. WALSH. Certainly.

The PRESIDING OFFICER (Mr. MAYBANK in the chair). Does the Senator from Massachusetts yield to the Senator from Vermont?

Mr. WALSH. Certainly.

Mr. AUSTIN. I do not wish my question to have the implication that I am not in favor of this bill and of as much help as we can afford to give to the Filipino people. I greatly respect the people of the Philippine Islands, after having visited them and after learning as much as I could about them; and, of course, I feel a great sense of gratitude to them for their utter loyalty to the United States in the war, and a great gratitude for the sacrifices they have made; and I think we owe them what we are doing for them. I think it is a moral obligation.

I am about to ask a rather technical question. I observe that the executive agreement will not become effective unless and until it is approved in constitutional form by the Philippine Congress. This is my question: What would happen if the terms of the bill were exceeded in the negotiation of the agreement? Would such an agreement have any effect in respect to such terms as might exceed the provisions of the bill, or would the President have to return that matter to the Congress and have the Congress pass upon it?

Mr. WALSH. In my opinion, the President would have to return it to the Congress and have the Congress pass upon it.

Mr. AUSTIN. I thank the Senator.

Mr. WALSH. Mr. President, the theory of the bill is that the President should follow the provisions of law set forth in the bill, and it is proposed as legislation to be enacted at this time so as to avoid the difficulty to which the Senator has referred, namely, the impossibility of negotiating a treaty between now and July 4, when the new government of the Philippines will take over.

If the President is not given the cooperation of the Filipino people, and if they refuse to enter into the agreement under the terms set forth in this bill, the President can cancel the trade preferences.

Mr. FERGUSON. Mr. President, will the Senator yield for a question?

Mr. WALSH. I yield.

Mr. FERGUSON. I should like to inquire about this bill in relation to the most-favored-nation clauses in our treaties with other countries. Will this bill apply to those clauses?

Mr. WALSH. This bill will be an exception.

Mr. FERGUSON. How can we make an exception under those clauses, if independence is granted to the Philippine Islands in July?

Mr. WALSH. It is felt and believed that other nations will recognize the relationships which heretofore have existed between the United States and the Philippines, and also that they will appreciate the importance of making an exception to the most-favored-nation clauses to which the Senator has referred. That matter was discussed at length by the representative of the State Department, Mr. Clayton, who, as the Senator knows, is in charge of negotiating trade agreements in the State Department with other countries. He sees no difficulty in respect to making this exception. He thinks the other nations of the world will recognize the special reasons and unusual circumstances which require the making of an exception to the rule, in regard to the Philippines.

Mr. FERGUSON. But this bill will, in effect, affect our present agreements with other nations in which we have used the language of the most-favored-nation clause; and if we were to live up to the agreement, we would have to reduce our tariffs to them on certain items. However, as I understand, Mr. Clayton expects that they will waive that provision, insofar as it relates to our agreement with the Philippines.

Mr. WALSH. I do not understand that it will be necessary for them to waive that clause insofar as our agreement with the Philippines is concerned. It is expected that they will respect the agreement and will understand and appreciate the reasons for the exception to the general rule. There is a specific provision in this bill to the effect that the tariff benefits of this bill will not apply to other nations.

Mr. FERGUSON. Mr. President, will the Senator yield for a further question?

Mr. WALSH. I yield.

Mr. FERGUSON. I should like to ask the Senator a question in relation in relation to our negotiations with Britain and with the British Commonwealth of Nations. They have certain quota arrangements and they have certain agreements. If we are going to deal separately in this bill, have we made to Britain commitments which will be changed by virtue of this bill?

Mr. WALSH. Mr. Clayton testified before the committee that he expected Great Britain to accept the conditions contained in this bill. He expressed no apprehension of difficulty in that regard.

Mr. FERGUSON. Will Great Britain recognize them as an exception to the rule?

Mr. WALSH. Yes.

Mr. FERGUSON. She will not insist that she has the right to enter into similar agreements with all other independent nations.

Mr. WALSH. That is Mr. Clayton's opinion.

Mr. FERGUSON. Did he have any facts on which to base such an opinion?

Mr. WALSH. No; except that he seemed to be confident that Great Britain and other nations would understand and appreciate the situation, and would be willing to agree that our past relationships with the Filipinos have been so intimate that some such understanding as the one being proposed for a temporary period of time should be entered into.

Mr. FERGUSON. My own belief is that we should do something like this, but I wanted to know how it might complicate the situation in relation to our other agreements.

Mr. WALSH. Yes.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. VANDENBERG. It occurs to me that so far as the technical situation is concerned, this agreement is being made with the Philippine government before it becomes independent. We have had this sort of an arrangement for some time. It would not occur to me that the mere act of crowning our liberal policy toward the Philippines by this act of grace on July 4, when we recognize their complete independence, would create a totally different situation.

Mr. WALSH. The Senator is correct. The agreement cannot be entered into between the Executive and the Philippine government until after the Philippine government becomes a sovereign state on July 4.

Mr. VANDENBERG. I quite understand.

Mr. WALSH. But the provisions in this bill are such that the present existing conditions will continue until July 4.

Mr. TAFT. Mr. President, is it not true that for a long time we have had a special agreement with Cuba, and that all nations recognize that the agreement with Cuba does not violate the most-favored-nation clause?

Mr. WALSH. That is my understanding.

Mr. FERGUSON. Mr. President, I should like to have a clear understanding as to when this bill will become effective?

Mr. WALSH. It will become effective upon its enactment. The bill contains provisions showing what shall be done between now and July 4. They provide practically for a continuation of the present relationship. After July 4, when the Filipinos achieve an independent government, our President is supposed to negotiate a treaty between them and our Government embodying the provisions which are set forth and defined in the bill as a guide to both governments, and as an encouragement to the Filipino people so that they may know between now and July 4 what they may expect in the way of favorable treatment on the part of our Government.

Mr. FERGUSON. But in the able Senator's use of the word "treaty"——

Mr. WALSH. I am sorry; I should have used the words "executive agreement."

Mr. FERGUSON. Yes. So, in effect, the President is instructed to put into effect, by virtue of an executive agreement, the terms of the pending bill.

Mr. WALSH. He is authorized to do so.

Mr. FERGUSON. He is authorized, and not instructed.

Mr. WALSH. We cannot instruct the President.

Mr. FERGUSON. We can direct him, can we not?

Mr. WALSH. I do not think we could do so. If he does not wish to carry out the terms of the agreement he would not be bound to enter into it. At least, that is my judgment.

Mr. FERGUSON. Then we would proceed under the law which already exists in relation to trade agreements.

Mr. WALSH. If the President should refuse to enter into an executive agreement, the matter would then come back to Congress for further study and consideration.

Mr. FERGUSON. After independence had been achieved by the Filipinos, would not the President be authorized to enter into trade relations, that is, enter into executive agreements under our regular law which now exists?

Mr. WALSH. The only thing, I believe, that could be done in the event this whole proposal should fail, would be for trade agreements to be entered into by the President with the Filipinos in the same way as is done with relation to other countries.

Mr. FERGUSON. The Senator has answered the question.

Mr. WALSH. That would not permit the terms of the pending bill being carried out, because it provides for a period of free entry. As the Senator knows, the power with relation to such negotiations is limited in certain ways.

Mr. FERGUSON. Yes; I am familiar with that fact.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. TAFT. When this bill is enacted into law the President's power to make executive agreements with the Filipinos will come to an end. Am I not correct in that statement?

Mr. WALSH. Yes.

Mr. TAFT. I refer to reciprocal trade agreements.

Mr. WALSH. Yes.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. AUSTIN. I believe that both questions which have been propounded are specifically answered in the bill. Section 408, appearing on page 37 of the bill, states that the effective date of the agreement shall be proclaimed by the President after he is satisfied that the Congress of the Philippines by law has accepted the agreeement and enacted the terms thereof into law.

The question relating to the power to make trade agreements is taken care of in section 508 on page 46 of the bill, which definitely postpones such power until after the executive agreement provided in title IV of the bill has terminated, or until after July 4, 1974.

Mr. WALSH. I appreciate having my attention called by the Senator from Vermont to that language.

Mr. ELLENDER. Mr. President, I notice that on page 4 of the report the quotas on imports on sugar are 850,000 short tons.

Mr. WALSH. I was about to speak about that matter. There is one amendment recommended by the Finance Committee to change the language "850,000 short tons of sugar" to "850,000 long tons of sugar." That amendment will have to be acted upon by the Senate.

Mr. ELLENDER. Does the Senator have any information as to what extent the production of sugar, cordage, rice, cigars, scrap, and filler tobacco, coconut oil, and pearl buttons is controlled by absentee ownership?

Mr. WALSH. After July 4 none of it will be controlled except by the Filipinos and the Americans.

Mr. ELLENDER. To what extent is the sugar industry controlled by absentee ownership?

Mr. WALSH. The evidence before the committee showed that about 45 percent of the control resides in the Filipinos, about 30 percent in Americans, and about 25 percent in Spaniards.

Mr. ELLENDER. Do the persons or corporations which control the 55 percent to which the Senator refers live in the Philippines or elsewhere?

Mr. WALSH. I suppose that the management resides there, but perhaps the stockholders reside in this country and in other countries.

Mr. ELLENDER. Can the Senator give us any information as to absentee ownership with reference to other commodities for which quotas are provided in the bill?

Mr. WALSH. I understand there is none whatever.

Mr. ELLENDER. My hope is that something will be done for the Filipino people themselves.

Mr. WALSH. That is my hope and expectation.

Mr. ELLENDER. Personally I would hesitate to oppose this bill if the Filipinos themselves would benefit by it. But, as I understand the situation, many of the products on which import quotas have been fixed are owned and controlled by absentee ownership, and they would become, largely, beneficiaries instead of the Filipinos.

Mr. WALSH. Of course, after July 4 the Philippine government will have absolute authority over who shall control and who shall not control; but there is provision that the Philippine government cannot interfere with American ownership.

Mr. ELLENDER. Yes; but the Filipinos are the people whom this bill was designed to benefit.

Mr. WALSH. I heartly agree with what the Senator says.

Mr. LANGER. Mr. President, will the Senator from Massachusetts yield?

Mr. WALSH. I yield.

Mr. LANGER. Can the Senator tell us what the daily wage is for labor on the farms in the Philippine Islands where these products are being raised?

Mr. WALSH. That question was not considered, but I assume the wages there are lower than ours.

Mr. LANGER. Are they not very, very much lower than ours?

Mr. WALSH. I would assume so; in fact, I am quite sure it is so.

Mr. LANGER. In other words, the farmers of America who raise sugar and pay high prices for labor will be in competition with the cheap labor of the Philippine Islands.

Mr. WALSH. In my judgment, the quota fixed in this bill for the importation of sugar will not interfere or be in competition with the domestic producers of sugar. The Philippines will be in competition with the producers of sugar in Cuba and elsewhere outside continental United States.

Mr. LANGER. The Senator is familiar with the fact, is he not, that before the war the Department of Agriculture limited the amount of sugar which could be produced in this country.

Mr. WALSH. Yes. The Senator is referring to the law which fixed the percentage of domestic sugar and the percentage of foreign sugar.

Mr. LANGER. Yes.

Mr. WALSH. I am familiar with that.

Mr. LANGER. In other words, thousands of farmers in the Northwest who wanted to raise sugar were not allowed to do so by the Federal Government. The result was that in this country land lay idle while in the Philippine Islands, in Cuba, Puerto Rico, and other places sugar was being produced on land which, in a great many instances, was owned by corporations located in the eastern section of the United States which were using cheap labor. The Senator will not deny that, will he?

Mr. WALSH. No.

Mr. LANGER. Mr. President, in view of the fact that there may not be a yea and nay vote on this bill, I want, at this time, to state my opopsition to the bill, and I desire to be recorded as voting against it.

Mr. WHERRY. Mr. President——

Mr. WALSH. I yield to the Senator from Nebraska.

Mr. WHERRY. Recurring to the question raised by the junior Senator from Michigan [Mr. FERGUSON] and to the observation made by the senior Senator from Michigan [Mr. VANDENBERG.] I should like to ask the distinguished Senator for a further explanation. It seems to me, if I caught the statement of the Senator from Massachusetts correctly, that the bill authorizes the President to negotiate this trade agreement now.

Mr. WALSH. After July 4, when the Philippines become independent.

Mr. WHERRY. Yes; after July 4. This bill provides the basis upon which the agreement will be negotiated, but it wlli not be signed until after the Philippines get their independence.

Mr. WALSH. That is true.

Mr. WHERRY. Therefore the observation made by the distinguished senior Senator from Michigan does not clear up the question asked by the junior Senator from Michigan, in view of the fact that negotiations will be entered into before but will not take effect until after the Philippines become independent. Is not that correct?

Mr. WALSH. Let me put it a little differently, if I may.

Mr. WHERRY. Certainly.

Mr. WALSH. In this bill we define what the trade relationship shall be between now and July 4, during which period the Philippines are dependent upon us. Up to that time the bill carries on the same relations that have existed in the past. After July 4, when a sovereign Philippine government is set up, then it is expected that the President will negotiate an executive agreement with the government of the Philippines embodying the terms and principles and obligations fixed in this bill, obligations which are to be carried out by both the United States and the Philippine Islands.

Mr. WHERRY. However, that fact does not clear up the question raised by the junior Senator from Michigan, for we authorize the President to make the agreement and when he finally enters into it the Philippine government will be an independent state. So the question as to whether or not this is an exception to the favored-nation clause in our treaties is pertinent, and it is not cleared up by the fact that we enter into the negotiations now. Am I correct about that?

Mr. WALSH. It had not occurred to me, but I think there is something in the Senator's suggestion. Of course, we are only proceeding to define what may be done between now and the date the executive agreement takes effect; otherwise, as the agreement might not be entirely consummated for 2 or 3 years, the Filipinos would not know what their rights

and obligations were and we would not know what ours were in that period.

Mr. WHERRY. I want to make my position clear. I am in favor of this bill and I shall vote for it, but my feeling is that, inasmuch as we authorize the President to enter into negotiations at once but the agreement is to be signed with an independent country, it does contradict or violate the favored-nations clause. I shall vote for the bill with the idea that it is an exception and not a precedent as to any other country. I think it ought to be made plain on the floor of the Senate that, because of our unusual relationship to the Philippine Islands, it is an exception so far as concerns the favored-nations clause which has been incorporated in our agreements with other nations.

Mr. HAWKES. Mr. President, will the Senator from Massachusetts yield for a moment?

Mr. WALSH. I yield.

Mr. HAWKES. I should like to say to the Senator from Nebraska that I sat through all the hearings in connection with this bill and one thing that was impressed on me from the start to finish was that this was a special case the like of which never has existed in the previous history of the United States and probably never will exist again.

I thought perhaps the distinguished Senator from Massachusetts would permit me to read into the record some compilations I have made with respect to sugar. I think they may be interesting to all Senators.

The average yearly production of sugar in the United States from 1935 to 1944 has been 2,200,449 tons.

The total annual average consumption of sugar in the United States, civilian consumption, has been 6,931,818 tons. We will leave the military consumption out of the picture because we hope it will not continue.

It may be interesting to note that the average yearly imports from Cuba, during those years, 1935 to 1944, were 2,688,-186 tons—all the figures I am giving refer to short tons and only to raw sugar—which was 38.7 percent of the total consumption in this country.

The Virgin Islands, which we hear frequently referred to, have only sent to this country an average of 2,786 tons during the same period of years.

This is very important: The average yearly importations of sugar from the Philippine Islands into this country during those years from 1935 up to and including 1941, when Philippine importations practically ceased, were 918,888 short tons, as against the quota authorized by the proposed law, which means when we convert 850,000 long tons into short tons, an amount equal to 952,-000 short tons, or 13.7 percent of the United States consumption of sugar.

The consumption of sugar is growing very rapidly in this country. I was willing to go along with this bill and change the short tons into long tons, because of the fact that the difference is almost imperceptible, being an increase of only one-half of 1 percent over the average importations in this country from the Philippines from 1935 to 1941.

Mr. MURDOCK. Mr. President, I wonder if the Senator from Massachusetts would yield so the Senator from New Jersey could repeat the last figures as to the Philippine Islands?

Mr. WALSH. I think the Senator should point out that the large year of importations of sugar was an abnormal year, and that in only one year has there been an approach to the imports of sugar reaching the possible quota fixed in the present law.

Mr. HAWKES. That is not quite correct. The average for the years 1935 to 1939, according to the figures I have here, computed in short tons, was 956,781 tons. The average over that period of years was slightly in excess of the amount we are now authorizing. In 1940 we came very close to reaching the figure which we are authorizing in the pending bill, because the importations from the Philippines amounted to 945,582 tons as against the the authorization in the bill of 952,000 short tons.

I might say that there is no Member of the Senate more interested in protecting our own sugar industry than am I, but I again reiterate that from everything I have heard, and from my knowledge of our relationship with the Philippine Islands over the years, and the fact that we are giving them their independence at a time when they are practically leveled to the ground and have to rebuild, and the further fact that they cannot expect to rebuild and obtain capital for investment unless they have some assurance of outlet for their products over more than the period of 3 years or 5 years which might be covered by the Sugar Act itself—if it were not for all those facts and taking the picture as a whole I might have questioned some of the things which are asserted, but I have gone over the situation very carefully, and, with due respect to our great country, which we want to protect, I believe the pending bill is in the interest of a better relationship. I believe it is justified by the past, and I am in favor of it.

Mr. JOHNSON of Colorado. Mr. President, will the Senator from Massachusetts yield?

Mr. WALSH. I yield.

Mr. JOHNSON of Colorado. I desire to thank and compliment the Senator for his very frank answers to the questions which have been propounded. I am especially grateful to the Senator for making it clear that the most-favored-nation clause, which is the policy of this country, does not operate in this particular case, and for his other reply that after July 4 next the Philippine Islands will be a foreign nation, that importations of sugar from the Philippines must be considered in connection with importations from other foreign nations, and not be considered in prejudice against domestic production. I am very grateful to the Senator.

Mr. WALSH. I am glad to learn that the Senator agrees to what I stated. The testimony before our committee was to the effect that if we retained the language of the bill as it passed the House, the term "short tons," the country which would benefit would be Cuba, and not the domestic producers. That testimony was overwhelming. I am glad to have the Senator state that the change would not interfere particularly with the domestic producers.

Mr. JOHNSON of Colorado. I think we owe much more to the Philippines than to Cuba, if it is a question of owing any country anything.

Mr. WALSH. I agree with the Senator's statement.

Mr. WHERRY. Mr. President, will the Senator from Massachusetts yield?

Mr. WALSH. I yield.

Mr. WHERRY. I wish to ask a question, not concerning the pending bill, but as to when are we to take up the question of quotas. Are they provided for under a separate measure?

Mr. WALSH. Yes; the quotas on sugar are under a separate sugar act which will expire next year. It was to run for a term of 3 years.

Mr. WHERRY. Let me suggest to the Senator that a bill relating to that question is on the calendar, but we have not yet given it our attention. Is not that correct?

Mr. WALSH. No.

Mr. WHERRY. What opportunity will we have to discuss the sugar quotas under any agreements which may be made?

The point of my inquiry is this: Will the domestic producers of sugar beets have an opportunity to be heard before agreements are entered into, so that they will have opportunity to submit evidence and to know something about the quotas of the domestic producers compared with other quotas?

Mr. WALSH. I yield to the Senator from Colorado, who is an expert on sugar law.

Mr. JOHNSON of Colorado. I am not an expert, but I know that the bill to which the Senator from Nebraska refers will be coming along perhaps in a very few months. I am certain that hearings will be had before the Committee on Finance, that everyone will have an opportunity to state his position, and that the whole matter will be considered by that committee, and afterward by the Senate.

Mr. WHERRY. If the Senator from Massachusetts will yield, I thank the Senator from Colorado for his observation. Then the Committee on Finance will be the place where the distinguished Senator from North Dakota can go relative to quotas. As I understand, that has not anything to do with the legislation now proposed. We are setting up machinery, in an authorization act, and when the question of quotas arises, we can argue it.

Mr. JOHNSON of Colorado. The pending bill has nothing to do with quotas except, as the Senator from Massachusetts has made clear, that whatever generosity we have shown to the Philippine Islands must be assessed to other foreign nations and not to our domestic producers.

Mr. WHERRY. I understand.

Mr. TAFT. Mr. President, will the Senator from Massachusetts yield?

Mr. WALSH. I yield.

Mr. TAFT. I should like to make a comment on the pending bill. I am afraid I shall not be able to remain to vote on it.

The Senator from Massachusetts has set forth the reasons why we should be generous to the Philippines. I wish to call attention to the fact that we took over the Philippines in 1900. Since that time we have built up the economy of the islands. It has been built up behind the tariff wall of the United States just as much as the beet-sugar industry in this country has been built up behind our tariff wall.

It happens that so far as sugar is concerned tariffs are not quite so important now as are quotas. I think we should be more generous than the pending bill is so far as the Philippines are concerned, not in amount, but what I object to in the bill is that we take the tariff and gradually increase the tariff for 20 years, 5 percent a year, until we reach a full tariff against the Philippine Islands.

I can see no reason why that is not going to stifle the sugar industry in that period just as much as if we did it today. We are responsible for having built up the economy of the Philippines based on particular tariffs applicable to Philippine industries. We have very much the same situation in Puerto Rico. I think we should recognize permanently a special relationship with the Philippines, and not pretend that 20 years from now it is going to be any different from what it is today, after they become free in July. They will be an independent nation, but they will always have a special relationship to the United States, and I think we should so recognize, and should determine what the relationship shall be, both from a political and from an economic standpoint.

I intend to support the bill, because haste in getting it through is of such importance that I would rather take it in its present shape than argue the general question as to whether the tariff exemptions should not be permanent. I think they should be permanent.

The distinguished Senator from Nebraska [Mr. WHERRY] referred to the British. The British have special relationships with countries all over the world. Canada is an independent nation for all purposes, but it has a special economic relationship with Great Britain. That is brought about by empire preferences. So far as we know, the system of empire preferences will continue. The truth is that the State Department is using this gradual elimination of tariffs as an argument to use with the British in an attempt to get them to abandon gradually empire preferences. But there is absolutely no assurance they are going to get such an agreement from the British. Personally, I do not think they are, and, personally, I do not think they should. I do not see why nations should not have a special relation as to customs matters.

We are going to have military bases in the Philippines; we are going to have Americans established in Manila for many years to come. I do not see why we should not recognize in the economic field a permanent relationship, just as much as we recognize it in the political field. Under the treaties regarding military bases and the protection of the Philippines, the Philippines are going to be our bases in order to keep Japan from developing as an aggressive nation, and the Philippines should always be an American outpost in the Pacific. The fact that they have a completely independent, autonomous government is, I think, a good thing. We should rather not interfere in their internal affairs. But certainly we shall always be a big brother, if you please, to the Philippine Islands. I do not think merely because the State Department has a theory of universal free trade, which is a dream which never will be brought about, that, therefore, we should entirely eliminate any tariff preference to the Philippines at the end of 20 years. I hope very much Congress may consider the question at a subsequent appropriate time. This change does not occur for 8 years, and perhaps that is long enough so it will not discourage the investment of capital for the present because most people expect to get their money back in 20 years—certainly from investments in foreign countries. But I think that question should be reconsidered as we work out the military treaties we shall have to make with the Philippines. Therefore, I feel strongly that we should vote for the bill as it is, and we should vote for the 850,000 long tons. I do not think that will affect domestic producers.

So far as the most-favored-nation clause is concerned, that has always yielded; it yields in the case of Britain to the empire preference. There is no reason at all why in our case it should not yield to the Philippines as it has always yielded to Cuba. This is just as much in violation of the most-favored-nation clause as a permanent 20-year treaty. What I would do is to fix the exemption from tariffs for 20 years and redetermine the question at the end of 20 years. That is the policy I would recommend, but I still support the bill and hope it will be passed, with the slightly more generous treatment which the Senate committee accorded the Philippines than that accorded by the House of Representatives.

Mr. WALSH. Mr. President, I desire to say in reply that many members of the committee share the views of the Senator from Ohio, especially in reference to a more generous treatment of the Philippines. But we are confronted with a situation which demands action at once. The Philippine election of president and a new government will take place on April 26. What the United States is going to do, what is contained in this bill, is a matter of discussion and dispute there. Then, of course, after July 4 it will be important to know what our obligations are, and what their obligations are. So we have found it very necessary to obtain action at once, to confine this bill to the essential features it contains, and to limit any amendment simply to the one which is designed to assure the Filipino people on the eve of their independence that we will not change our relationship with them in the matter of imports of sugar after they shall have become independent. In other words this amendment provides for a continuation of the amount of Philippine sugar we have allowed in the past to be imported into this country.

Mr. MURDOCK. Mr. President——

The PRESIDING OFFICER (Mr. TAYLOR in the chair). Does the Senator from Massachusetts yield to the Senator from Utah?

Mr. WALSH. I yield.

Mr. MURDOCK. I should like to propound a question jointly to the Senator from Massachusetts and to the Senator from Colorado [Mr. JOHNSON]. The sugar allotment contained in this bill to the Philippine Islands is to be preserved in the consideration of the Sugar Act which expires on December 31, 1946? That is the purpose of it, is it not?

Mr. JOHNSON of Colorado. Yes; it is an absolute quota.

Mr. MURDOCK. I may say, in answer to the Senator from Nebraska [Mr. WHERRY], if I understood his question correctly, that when the sugar bill is considered by the Senate it is my understanding that, so far as the Philippine Islands are concerned, their sugar quota is fixed by this act, and cannot be decreased at a later time in the consideration of the sugar act. Am I correct in that?

Mr. JOHNSON of Colorado. Yes, that is correct.

Mr. MURDOCK. That is the very purpose of it, is it not?

Mr. JOHNSON of Colorado. The Philippine quota is an absolute quota, and whatever adjustments may be made, will have to be made as against other foreign exporters and not as against the domestic producers.

Mr. MURDOCK. So we are confronted, are we not, with the proposition that when we come to the consideration of the sugar bill, whatever the increase to the Philippine Islands is under this bill if then is an increase, must either come out of some other foreign country's quota or result in a decrease of production in the United States. Am I correct in that?

Mr. JOHNSON of Colorado. It must come out of some other foreign country's production.

Mr. MURDOCK. I know that that will be the Senator's attitude, and that will be mine. I hope that other Senators in voting for the Philippine bill today will join me and the senior Senator from Colorado and Senators from other sugar producing States when we consider the sugar bill in seeing to it that any advantage extended to the Philippine Islands, insofar as sugar is concerned, will not be deducted from domestic sugar production, but from the production of other foreign countries.

Mr. WALSH. The quota of long tons has been the same for 10 years without change.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. WHERRY. I want to thank the distinguished Senator from Utah for his observations, and also thank the Senator from Colorado for the observations he made. The reason I raised the question

is that the total sugar quotas in production will be discussed at a later date. We are new giving the Philippines a definite flat quota.

Mr. MURDOCK. Yes; which cannot be reduced.

Mr. WHERRY. It will not be raised or lowered. I agree with the distinguished Senator from Colorado. Those of us from sugar beet areas are not going to permit the increase to come out of the domestic quota, however friendly we may be with the Philippines. We want it to come out of the quota of other countries. This bill is the authorization, but when the sugar act comes up for consideration we certainly ought to remember our own domestic production. We are treating the Philippines in that same spirit. But the increase certainly has to come out of some other country under the production quota. I am glad this matter has been brought out on the floor of the Senate. Am I correct in my understanding that we are giving this a permanent quota to the Philippines? Is that the interpretation the Senator from Colorado and the Senator from Utah would place on it, as well as the Senator from Massachusetts?

Mr. WALSH. There is no doubt about that.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. ELLENDER. I express the hope that Senators will bear in mind that the time for fixing quotas for domestic producers will soon be at hand. We should first take care of our own producers. Of course I am rather disappointed. Although, as I said, I shall vote for this measure, I am disappointed that the committee saw fit to change the language of the House bill.

Mr. President, I have before me a table showing the total exports of Philippine production for a period of 6 years, and the quota allowed for the Philippines today is much greater than the average of their total exports from 1935 to 1940.

Mr. WALSH. The Senator is referring to sugar exports?

Mr. ELLENDER. Yes. My fear is that that will be an incentive on the part of the Philippines to continue to expand their present sugar production. I have no doubt that within the next few years—before the 28 years expire—the same interests which have come before the committee advocating that we give as many as 850,000 tons, which was the quota allotted to the Philippines since we have had a quota system, will be back again for an extension of it, and that will run counter, in my opinion, to the statement made by the Hon. Francis B. Sayre, who as we all know was Assistant Secretary of State, and I think was High Commissioner to the Philippine Islands.

Mr. WALSH. That is true.

Mr. ELLENDER. After a study of the economic situation of the islands he came to this conclusion which appeared in the Atlantic Monthly of March 20, 1945:

> When liberation comes to the Philippines, presumably sugar cultivation in the Philippines will be on a home-consumption basis. If the new Philippine government after the war is wise enough and strong enough to prevent a return of prewar sugar production figures, one of the great milestones on the way to economical independence will be passed.

But I think this will never come to pass, because we are now giving to them the same quota they have enjoyed in the past, and there is no doubt that they will hold on to what they have. As I have just indicated, I believe the same interests that have been instrumental in maintaining that quota will come back before 20 years expire and ask that it be continued.

Mr. MILLIKIN. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. MILLIKIN. I suggest to the distinguished Senator from Louisiana that he read the next three or four paragraphs of the same article. They are very interesting.

Mr. ELLENDER. All I have is a quotation from the CONGRESSIONAL RECORD. If the Senator has the entire statement available. I will appreciate it if he will read it.

Mr. WALSH. The statement is to the effect that we should encourage diversity of production and industry, is it not?

Mr. MILLIKIN. The point is that if we continue to grant this favored treatment to the Philippines, they will never develop a balanced economy of their own, and that if we really meant it when we said we wanted them to have independence, we should encourage them to have economic independence as well as political independence.

Mr. ELLENDER. With the permission of the Senator, I ask unanimous consent to have printed in the RECORD at this point the remainder of the statement to which reference has been made.

Mr. WALSH. I have no objection.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

> When liberation comes, presumably sugar cultivation in the Philippines will be on a home-consumption basis. If the new Philippine Government after the war is wise enough and strong enough to prevent a return to prewar sugar production figures, one of the great milestones on the way to economic independence will be passed.
>
> The building of the new Philippine economy will call for a high order of planning and statesmanship. Largely because of American activity for the past 40 years, the Filipino's standard of living and also his living costs have risen considerably above those of his competing far eastern neighbors.
>
> Of course, the bulk of production will continue to be for home consumption, and here other considerations will apply. But the Filipinos will need imports from abroad, and to buy these they must produce a considerable quantity of goods for export.
>
> If and when independence shuts the Filipinos out of the protected American markets, they will be forced to sell in world markets in competition with other areas with lower standards of living and production costs. They will have to turn away from the production of surpluses like sugar, which are salable only in the protected American market, and learn to produce goods which they can sell at a profit in world markets. To achieve this, Filipinos must improve and lower the cost of their products through increased skill and scientific knowledge, through labor-saving devices, through utilization of byproducts, through inventive ingenuity along a thousand different lines.
>
> The solution of their economic problem will be a thorny and difficult task. It is not insoluble. American ingenuity and technical skill will be at the call of the Filipinos to help in the solution.
>
> Last June Congress passed a joint resolution (S. J. Res. 94) creating a Filipino Rehabilitation Commission, composed of an equal number of Americans and Filipinos, to investigate all matters affecting postwar economy, trade, finance, economic stability, and rehabilitation of the Philippine Islands, and to formulate recommendations based upon such investigations and for future trade relations between the United States and the independent Philippine Republic when established.
>
> Because the present economic dependence of the Filipinos upon the United States is largely of our own making, and because it is to our own interest to build for future stability in the Pacific, the Filipino people must be given their independence under such conditions as will assure them sound economic foundations for their future. The American people will not be content with anything less.

Mr. HAWKES. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. HAWKES. I invite attention to the fact that the Senator from Ohio [Mr. TAFT] referred to the program as a 20-year program. It is really a 28-year program.

Mr. WALSH. Eight years of free trade and 20 years of a sliding-scale change in tariff rates.

Mr. HAWKES. I should like to say for the benefit of Senators who come from sugar-producting States that this proposal is a meeting of the minds, a compromise agreement, something that we could get together on quickly.

I am one who does not favor looking into the future too far. I cannot go along with the philosophy of the Senator from Ohio that this arrangement should be made permanent, on the free-trade basis or any other special basis, beyond 28 years. Every bit of evidence which came fore the committee showed consiusively that 28 years was long enough to give the Philipines an opportunity to establish themselves and diversify their production, and do some of the things which they must do to become a self-sustaining nation.

I leave this admonition with the Senate: We can always be generous; and if at the end of 20 years or 28 years we wish to make a change and do more, we can do it. But after we have done a thing we can seldom back up with good grace.

I am very sympathetic with Senators who come from beet-sugar producing States. I know a great many of the beet-sugar manufacturers. They are looking to us to protect their interests. Personally, I believe that this is a fair bill, under the conditions as they exist today.

I thank the Senator from Massachusetts.

Mr. WALSH. Mr. President, it seems to me that we are almost ready for a vote on the question of long tons or short tons.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. AUSTIN. There is one brief part of the agreement entered into between Great Britain and the United States which I should like to read. It will take

only a moment. The treaty with Great Britain illustrates that this agreement is excluded from the most-favored-nations clause by a special arrangement. Whether it applies to all other nations depends upon whether agreements with other nations do the same thing; but this treaty, by law, clears the most-favored-nations obligation from the matter under consideration. I read the provision to which I refer:

Article XXI: Except as otherwise required by article III of this agreement, or by any of the schedules annexed hereto, (a) nothing in the agreement shall entitle His Majesty the King to claim the benefit of any treatment, preference, or privilege which may at any time be accorded exclusively by the United States of America, its Territories or possessions, or the Panama Canal Zone, to one another, or to the Republic of Cuba. The provisions of this subparagraph shall continue to apply in respect to any benefits now or hereafter accorded by the United States, its Territories or possessions, or the Panama Canal Zone, to the Philippine Islands, irrespective of any change in the political status of the Philippine Islands.

Mr. WALSH. I thank the Senator.

Mr. WHERRY. Mr. President, I thank the Senator for permitting me to make a statement.

Mr. WALSH. Mr. President, we seem to be ready for a vote. The question of short tons or long tons involves this consideration: "Long tons" means continuing the quota which has existed for the past 10 years between the United States and the Philippines.

Mr. DONNELL. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. DONNELL. On behalf of my colleague the junior Senator from Missouri [Mr. BRIGGS] and myself, I should like to read to the Senate a statement which was made on April 3, 1946, before the Finance Committee of the Senate. This statement was so made by Hon. Harry B. Hawes, a former Member of the United States Senate from Missouri, in the capacity of legal adviser of the Philippine Commonwealth and counsel for the Philippine Sugar Assocation, and it is pursuant to his desire that the statement will now be read to the Senate. I am not expressing, on behalf of my colleague or for myself, any view with respect to this statement. Personally, I have not considered the question to which the statement refers, except as I have heard that question mentioned today. The statement which I thus read on behalf of my colleague and myself is as follows:

A defined, definite American trade policy with the Philippines is vitally essential for its recovery and rehabilitation. Its entire economic life may be destroyed by error at this time.

The House Ways and Means Committee, in its worthy and commendable effort of securing unanimous agreement, substituted the word "short" for "long" in sugar tonnage.

In the year 1933, a conference of all sugar producers under the American flag allotted to the Philippines 1,110,000 tons annually, an excess of 250,000 tons over the 850,000.

The first Independence Act, after exhaustive hearings, contained 850,000 long tons. The bill was vetoed by President Hoover and was then passed by a two-third majority of both the House and the Senate, carrying 850,000 long tons.

The second Independence Act passed in March 1934, carried 850,000 long tons.

In 1938, a Joint Preparatory Commission was appointed by the President to consider and report to the Congress on the matter of future trade relations after independence. This commission held extended hearings in Washington, San Francisco, and Manila, and unanimously reported in favor of 850,000 long tons to be extended in trade relations until the year 1960.

Philippine trade relations had thorough, extended hearings before the Insular Affairs Committee of the House and Territories and Insular Affairs Committee of the Senate and before the Filipino Rehabilitation Commission, and no evidence was introduced asking for a change from long tons to short tons.

Unfortunately, none of this evidence was submitted to the Ways and Means Committee of the House in considering H. R. 5856.

Reviewing the printed copy of the hearings embodying 333 pages, I find that only one witness, Earl B. Wilson, either suggested or recommended a change in this figure which had met the approval of Congress and trade authorities for years.

The change is opposed by every living ex-Governor-General of the Philippines since the passage of the Independence Act, Governor Murphy, now Justice, Governors McNutt and Sayre.

The Philippine Sugar Association, in existence for many years, was not heard as no change from long to short tons was anticipated.

The Philippine Commissioner, Gen. CARLOS P. ROMULO, was attending the UNRRA Conference at Atlantic City. Upon being advised of this contemplated change, he wired the committee, but the message was apparently received too late for consideration. Attached herewith is a copy of this able, comprehensive telegram and I hope it will be made part of the records of this committee.

It is quite apparent that the benefits of this change will go almost exclusively to Cuba.

During the war not a sword was drawn nor a gun fired in Cuba.

In the Philippines during this period, there was murder, torture, rape, complete destruction of its beautiful capital, Manila, and other cities, farms, factories, roads, and bridges.

No territory under the American flag and American sovereignty suffered such loss or damage.

The estimated population of the Philippines today is 18,000,000. Manila has a population of over 1,000,000. Cuba's population is 4,500,000.

The Philippines were, prior to the war, our sixth best customer in the world. Cuba ranked ninth.

Of Philippine exports, 35 percent is sugar. This industry has been developed, enlarged, and nurtured during our 48 years of occupancy.

There had been no intimation, no suggestion, no expressed thought, of depriving the Philippines of part of the quota of their principal export.

We are approaching the final chapter of an experiment chronicled throughout the world. There is not a spot in China, India, Africa, or any European nation that is not familiar with our efforts to introduce democracy, self-government, and prosperity to the Philippine people.

Now, at the very conclusion of this period of preparation for liberty, after the generous assurances of our Governor Generals, after the great idealism of the school teachers that we sent there to teach American traditions, are we to say to these Filipinos: Good-by, God bless you. We are sorry but we are compelled to take from you 102,000 short tons annually of your largest industry and present it to Cuba.

The knowledge of this act will go to every man, woman, and child in the Philippine Islands. It will reach all classes of its people.

It will change their mind about the generosity of well-wishing America. It will be discussed everywhere, and everywhere it will be condemned.

What a painful thought that in the last hour, the last minute, we despoiled the Filipinos to give to Cuba.

When Cuba was suffering under the brutalities of General Weyler, we went to war for the sole purpose of stopping this brutality, of protecting the Cuban, of saving life and property, and at the conclusion of the war, Cuba was given its complete independence.

That it exercises individual sovereignty today, that it escaped the ravages of war, that it smiles, has its fiestas, and its business growth, was due to the United States.

Must we take this lifeblood of trade from the Filipinos at this eleventh hour and give it to Cuba who does not need it?

We all desire Cuba to be rich, to prosper, to expand, to be happy and do not want to take anything from her, but we should not reach clear across the world and take from the bleeding Philippines $168,000,000 to hang on a Cuban Christmas tree.

What will the rest of the world think when we say good-by and instead of a pat on the back, a handshake and a bright smile, we administer a kick.

The people of the United States will not approve, the Filipinos will be shocked, and the rest of the world will wonder at our strange psychology.

Every newspaper review has condemned the proposed change. Not in a single publication has there been approval.

The world will not understand because this proposed act of despoilation is beyond comprehension.

Respectfully submitted.

HARRY B. HAWES.

Mr. LA FOLLETTE. Mr. President, I realize that the Senate is ready to vote on this measure, but I wish to trespass on the patience of the Senate for a minute or two in order to make a very brief statement concerning my own attitude toward this proposed legislation.

During all my service in the Senate, Mr. President, I have on every occasion registered my sympathy and approval of the desire of the Filipino people for independence. In taking that position I was following the example set me by my father during his long service in this body.

It is a matter of great regret to me that the pending bill came into the possession of the Finance Committee so shortly before the time when the Filipinos will become an independent nation, as they have expressed their desire to do and will do. Because of that circumstance, the committee was virtually precluded from any de novo consideration of many of the vital and important issues which are in this measure. It contains many provisions which I would have opposed to the best of my ability if I had had a full and free opportunity to do so.

I think we owe a great debt of gratitude to the Filipino people. Every American must admire the courage and the fortitude with which they resisted an overwhelming army of occupation. Their deeds of collective and individual heroism will go down in the annals of history as an outstanding example of inspiring and courageous conduct.

I believe that the United States has a great future relationship with all the Far

East, and as a result of the manner in which we have treated the Filipinos as our wards, and as I hope we shall treat them as a friendly, independent nation, I think we have a great opportunity to exert our leadership for the betterment of mankind living in that portion of the globe. Therefore, as I said, I regret some of the terms in this bill. I think some of them are unduly harsh. I think some of them go beyond the point to which we should go in forcing the Philippine Government to conform to certain provisions of this bill.

But be that as it may, time has become of the essence in this matter. The complete destruction and the resultant exhaustion of the Filipino economy is so great that delay in enacting this legislation may occasion a complete collapse. In the committee and on the floor of the Senate I have supported this bill, and I intend to vote for it. I hope that in doing so we shall in some measure express our appreciation of the heroic attitude which the Filipino people took during the terrible days of the war.

I am persuaded to take this position and to withhold any effort to make any changes of a substantial character in the bill by the fact that all the official representatives of the Filipino people, and representations made by the Filipinos themselves, speaking through either their Resident Commissioner or their present government, have urged action upon this measure, even though they did have objections to some of its provisions.

Under all the circumstances, Mr. President, I have come to the conclusion that the best service which those who wish to be friendly to the Filipino people can render is to speedily enact this measure.

The PRESIDING OFFICER. The clerk will state the committee amendments.

The first amendment of the Committee on Finance was, on page 11, under the heading "Part 2—Quotas," at the beginning of line 17, to strike out "short" and insert "long"; and in the same line after "50,000", to strike out "short" and insert "long"; in line 20, after "425,000", to strike out "short" and insert "long"; and in line 21, after "25,000", to strike out "short" and insert "long."

The amendment was agreed to.

The next amendment was, under the heading "Sec. 402. Obligations of Philippines", on page 32, line 1, after the word "years", to strike out the word "of."

The amendment was agreed to.

The next amendment was, under the heading "Sec. 504. Quotas on Philippine Articles", on page 42, line 1, after the words "than the", to strike out "smallest."

The amendment was agreed to.

The next amendment was, on page 48 in line 3, after the word "Application", to insert "Of Internal Revenue Laws."

The amendment was agreed to.

The PRESIDING OFFICER. That concludes the committee amendments.

The bill is before the Senate and open to further amendment. If there be no further amendment to be offered, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time. The bill (H. R. 5856) was read the third time and passed.

THE CALENDAR

Mr. WALSH. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of unobjected-to bills on the calendar, beginning with Calendar No. 1020, House bill 5504.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Massachusetts?

Mr. WHERRY. I do not object, but one of the Members on this side of the Chamber desires to make a speech.

Mr. WALSH. I have no objection to the Senator addressing the Senate, even if the Senate agrees to proceed to considering unobjected-to bills on the calendar.

The PRESIDING OFFICER. The question is on agreeing to the request of the Senator from Massachusetts.

Mr. WALSH. Mr. President, I ask that the Senator from North Dakota [Mr. LANGER] be permitted to address the Senate regardless of the call of the calendar.

The PRESIDING OFFICER. Without objection, the Senate will proceed to consider the unobjected to bills on the calendar, and the Senator from North Dakota is recognized.

INVESTIGATION OF ALLEGED VIOLATIONS OF VETERANS' PREFERENCES IN DISPOSAL OF SURPLUS PROPERTY

Mr. LANGER. Mr. President, I send to the desk a resolution and ask that it be read.

The PRESIDING OFFICER. The resolution will be read.

The Chief Clerk read the resolution, as follows:

Resolved, That a special committee composed of five Senators (not more than three of whom shall be members of the same political party) to be appointed by the President pro tempore of the Senate is authorized and directed to make a full and complete investigation with respect to alleged violations of veterans' preference provisions of the Surplus Property Act by Government officers charged with the disposal of surplus property with a view to ascertaining (1) whether such violations have occurred, (2) the identity of the officers alleged to have committed such violations, and (3) whether officials charged with the disposal of such property have adopted unfair policies with regard to purchases by veterans. The committee shall report to the Senate at the earliest practicable date the results of its investigation together with such recommendations as it may deem desirable.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Senate in the Seventy-ninth Congress, to employ such experts and such clerical, stenographic, and other assistants, to require by subpena or otherwise the attendance of such witnesses, and the production of such correspondence, books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed $, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

Mr. LANGER. Mr. President, approximately a year and a half ago upon this floor it was unanimously agreed that one of the most important matters with which the Senate had to deal was $104,000,000,000 worth of war surplus materials. If ever the majority party in the United States Government had a solemn duty, of which they were fully aware, it was the Democratic Party of the United States of America. Time, time, and time again on this floor the matter of $104,000,000,000 worth of war surplus materials was brought forward for discussion, and time, time, and time again, Mr. President, the graft, crookedness, and stealing in connection with war surplus property following World War I was discussed. If ever in the history of this body there devolved a duty upon the leaders of the Democratic Party, it was then when disposition was to be made of $104,000,000,000 worth of war surplus materials.

Mr. President, I am not absolving the Republican Party entirely, but, nevertheless, the fact remains that in this body there is a majority of approximately 20 Democrats. They determine the policies of the Senate. In the last analysis they decide, as every Member of the Senate knows, what is to be done. Yet, Mr. President; in spite of the record which was made following World War I, what do we find? First of all, a bill was introduced creating a war surplus board consisting of three members. The bill was passed. Day after day went by, week after week went by, and, finally, month after month went by without the members of that board being appointed by the then President of the United States. Nothing was done by the majority party to protect the taxpayers of the United States of America. Finally, a board was created which consisted of Mr. Heller, of California, and others. It was said that there was a desire to appoint Mr. Heller to the board because he was a very wealthy man, a great businessman, who had had vast experience. Then Mr. Hurley was appointed to the Board. Although objection was voiced on this floor against Mr. Hurley, I voted for him. Finally, the former Senator from Iowa, Mr. Gillette, was appointed to the Board.

When the bill, a copy of which I have in my hand, was passed—and it was passed away back, as I recall, in October 1944—word went out that the farmers of this country and the veterans of this country and the taxpayers were going to be protected, that there was going to be no graft, no dishonesty, and that the property would not be squandered.

What happened, Mr. President? The board took office. Time and time and time again some of us Senators went to the board. First of all, we were told that the Board did not have as much authority as it should have, that not enough money was being given to it by those in authority, that it could not set up the proper personnel. So all over the coun-

DIGEST OF CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
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Subsidies.................6
Taxation.................21
Textiles.................23
Trade, foreign.......11,23
Transportation...........32
Veterans....21,29,31,33,36
Wages....................34
Wildlife.................. 9

HIGHLIGHTS: House passed selective-service extension bill. House rejected, 53-171, motion to suspend rules and pass Poage bill to permit requisitioning of surplus equipment for soil conservation and forestry. Senate passed Wagner-Ellender-Taft housing bill, which contins provisions for rural housing loans by this Department. Sens. Eastland, Maybank, and Bankhead criticized OPA and Bowles on cotton-margins regulations. House agreed to Senate amendment to bill transferring fur-animal research from Interior to Agriculture. House passed bill prohibiting 1947 cotton-marketing quotas and acreage allotments. Philippine trade bill and Patman housing bill were sent to conference. House debated price-control extension.

HOUSE

1. SELECTIVE SERVICE. Passed, 290-108, H. R. 6064, to extend the Selective Training and Service Act (pp. 3786-7). The bill extends this Act from May 15, 1946, to Feb. 15, 1947; prohibits inductions between May 15 and Oct. 15 but permits the President to resume drafting then if volunteer enlistments are inadequate; prohibits further inductions of 18 and 19-year-olds after May 15; provides an 18-month limit on service of inductees, including those now in service; prohibits induction of fathers or essential farm workers.

2. FORESTRY. Passed without amendment H. R. 2854, to add certain public and other lands to the Shasta National Forest (p. 3792).

3. SURPLUS PROPERTY. Rejected, 53-171, a motion by Rep. Poage, Tex., to suspend the rules and pass S. 1414, to permit the Agriculture Department to requisition surplus equipment for soil- and water-conservation work, forest-fire prevention and suppression, and forest improvement (pp. 3795-803).

4. WAR DEPARTMENT CIVIL APPROPRIATION BILL. Received the conference report on this bill, H. R. 5400, which includes appropriations for War Department flood-control projects (pp. 3813-14).

5. PATMAN HOUSING BILL. Reps. Spence, Brown of Ga., Patman, Barry, Wolcott, Crawford, and Gamble, and Sens. Barkley, Murdock, Taylor, Mitchell, Taft, Buck, and Capehart were appointed conferees on this bill, H. R. 4761, which provides for price control and subsidies on housing (pp. 3766, 3814-15).

6. PRICE CONTROL; SUBSIDIES. Began debate on H. R. 6042, to continue the Price Control and Stabilization Acts and limit subsidies on farm products (pp. 3815-30). For summary of bill see Digest 66.

7. FUR-ANIMAL RESEARCH. Agreed to the Senate amendment to H.R. 2115, to transfer to this Department the functions of the Interior Department regarding fur-bearing animals (p. 3830). This bill will now be sent to the President.

8. COTTON. Passed without amendment H.J. Res. 336, to prohibit 1947 cotton marketing quotas and acreage allotments (pp. 3830-1).

9. WILDLIFE CONSERVATION. Received the Migratory Bird Conservation Commission report for 1945 (p. 3833).

10. HEALTH. Received various petitions opposing the Wagner-Murray-Dingell bill, H.R. 4730 and S. 1606 (p. 3833).

11. PHILIPPINE TRADE. Reps. Doughton, Cooper, Dingell, Robertson of Va., Knutson, Reed of N.Y., and Woodruff, and Sens. Walsh, Barkley, Connally, Byrd, La Follette, Vandenberg, and Taft were appointed conferees on H.R. 5856 (pp. 3766, 3777).

12. PAN-AMERICAN DAY. Agreed without amendment to H. Res. 599, greeting Latin American nations on Pan-American Day (pp. 3778-86).

SENATE

13. WAGNER-ELLENDER-TAFT HOUSING BILL. Passed with amendments this bill, S. 1592 (pp. 3758-74). Title VIII of the bill authorizes the Secretary of Agriculture to make 33-year loans at interest not over 4%, with limited subsidies where needed, for a period not over 10 years in the form of partial credit against interest and principal, on farms potentially capable of providing adequate income, and to enable the owners to construct, improve, etc., dwellings and facilities incident to family living to provide them, their tenants, sharecroppers, and laborers with decent, safe, and sanitary living conditions, and special loans or grants for minor improvements to meet minimum health standards on farms not potentially capable of providing adequate income; authorizes the Secretary to make loans totaling $250,000,000 for a 4-year period, and contributions or grants reaching a maximum rate at the end of 4 years of $10,000,000 a year; provides for FPHA assistance under a variant of the established public-housing program adapting it to special rural needs, and authorizes its contributions at the rate of $5,000,000 a year for 5 years following enactment of the bill, with a maximum of $25,000,000 a year at the end of the 5-year period. Other provisions of the bill make FHA permanent, broaden the scope of Federal assistance to private enterprise in constructing and financing housing, provide for the disposition of permanent war housing and other federally-owned housing with preference to servicemen and veterans, and provide for a periodic inventory of housing needs and programs.

During the debate Sens. Taft, Ohio, and Wherry, Nebr., discussed the provisions for rural-housing loans (pp. 3767-8).

14. COTTON. Sens. Eastland, Miss., Maybank, S.C., and Bankhead, Ala., criticized the OPA and Stabilization Director Bowles for the order fixing cotton margins requirements (pp. 3751-7). Sen. Bankhead claimed that the action taken by the Stabilization Director was "a direct overruling of the statutes, and directly in conflict with it" and that evidently the Secretary did not want to approve the order (p. 3756).

15. PHILIPPINE REHABILITATION BILL. Sens. Tydings, Hayden, Wheeler, Vandenberg, and Austin were appointed conferees on this bill, S. 1610 (p. 3749). House conferees have not yet been appointed.

a labor union in order to establish the prevailing wage?

Mr. ELLENDER. Oh, no. I am speaking of the difficulties which would arise by reason of these loans being made by the banks. As the Senator knows, under the FHA the Government does not put out a dime. The service rendered is that the loan is insured. The banks are assured that the loans will be paid. As Mr. Foley pointed out, if we begin to attach strings to such loans the bankers will not lend the money, and many homes will not be built. The building and repair of homes will be deterred.

Mr. MAGNUSON. I do not see why any banker, whether he comes from a town as small as the town from which my friend from Utah comes, or whether he comes from a small town in Louisiana, should be discouraged from making a loan because the contractor says, "I am going to pay the prevailing wage."

Mr. ELLENDER. But suppose the contractor does not pay the prevailing wage? The loan would not be in accordance with the law and the bank might find itself in distress when it attempted to enforce the payment of the loan.

Mr. MAGUNSON. Mr. President, any contractor who does not pay the prevailing wage should not be in business, anyway.

The determination of whether the prevailing wage is paid should not be difficult. The carpenters and other workers will know whether they are paid the prevailing wage. The requirement that the prevailing wage be paid will not necessarily hurt the small homes, any more than it hurts the large projects, because in most cases the contractors already are paying the prevailing wages.

The Senator from Louisiana, who is a distinguished member of the Committee on Naval Affairs, knows that that rule has been on the books with respest to navy yards. During the war the United States built naval bases in communities where probably nothing was known about labor unions. That did not mean, however, that the wage scale established there by the Secretary of the Navy was based on the wages prevailing in the nearest urban community, for as a matter of fact it might have been based on the wage-scale existing in a community thousands of miles away.

I do not think the adoption of the prevailing-wage amendment will deter the bankers at all. I think most of them will loan more money, because when they lend money on a project on which well-paid workmen are used, they will know that probably the workmen will be of the better class and will do a better job.

Mr. ELLENDER. Mr. President, I propose to follow Mr. Foley's views in this matter. I shall read all of his letter in a few minutes. I wish to emphasize the fact that this bill is most comprehensive. First, let me say that we spent a great deal of time on it, and this proposal of paying prevailing wages on all FHA loans was thrashed out many a time. Before the subcommittee, which first held hearings, efforts were made to put this amendment into the bill. Then when the bill came before the subcommittee of the Banking and Currency Committee, which heard all the evidence, I understand that Senators were equally divided, and the full Banking and Currency Committee, which reported the bill to this body, voted down this provision. I am such it did so because it felt that although the amendment would not necessarily be entirely destructive, it would adversely affect the operation of the bill.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. MURDOCK. The subcommittee of the Banking and Currency Committee, which heard all the evidence on the bill and listened to all the story of Mr. Foley and to all the other evidence, adopted the prevailing-wage amendment.

Mr. ELLENDER. I understood Senators were equally divided. In any event the full committee did not do so.

Mr. MURDOCK. Yes; for some reason or other which I cannot understand, it did not.

Mr. ELLENDER. Mr. President, I continue to read from the letter written by Mr. Foley:

Since participation of lending institutions in our program of mortgage insurance is purely voluntary and since no such requirement would attach to uninsured mortgages or to mortgages guaranteed or insured by the Veterans' Administration under the Servicemen's Readjustment Act, it seems clear that few, if any, lending institutions would be willing to participate in the Federal Housing Administration plan for the financing of new construction.

2. The amendment would appear to have the effect of completely preventing this administration from insuring any mortgage on existing construction, the construction of which was begun after June 3, 1939. While I am confident that this was not the intent of its proponents, your attention is called to the language of the provision which refers to construction which "was or is to be" commenced subsequent to the "effective date of this section" (approved June 3, 1939) and requires a determination by the Secretary of Labor "prior to the beginning of construction and after the date of filing of the application for insurance." Such condition would, of course, be impossible to meet with respect to existing construction.

3. The administrative difficulties presented would cause serious delay and uncertainty at a time when speedy construction of new dwellings is of the utmost importance.

I call your attention to a memorandum from the Department of Labor, which Senator Wagner presented to the Senate during consideration of a similar proposal in 1938. It is printed in the Congressional Record of January 31, 1938, at page 1663, and contains the following statements:

"(1) It would mean that a prevailing wage rate would have to be determined in virtually every community, no matter how small, in the United States. The administrative difficulties involved would be very great, and delay that would be incurred would be a deterrent to the active construction so much needed in the very near future.

"(2) The word 'adequate' is not defined, nor can it be well defined as it refers to labor standards in this case. There is no definition in the law, and as a practical matter it would be almost impossible to define it administratively. It would have to vary from city to city and from town to town.

"(3) It would make it extremely difficult for families who need to do most of the building of their own houses to get their loans, and this is exactly the type of construction which we do not wish to discourage.

"The amendment vitiates the fundamental purpose of the bill, which is to get private capital immediately and quickly into the construction activity of the country for the purpose of relieving unemployment and find a suitable investment for idle capital."

These administrative difficulties would not be alleviated under the proposal now under consideration, but would be vastly increased because not only would a determination of prevailing wage be required "for every community however small," but a separate determination would have to be made with respect to each application for insurance, since the provision requires it to be made "prior to the beginning of construction and after the date of filing the application for insurance."

Section 212 of the National Housing Act was designed to apply only to large-scale rental housing projects where the mortgages are insured, not upon completion, as in the small-house program, but prior to the start of construction, which is subject to constant inspection by this Administration. Each advance by the mortgagee during the progress of construction is made only after this Administration has determined that the prevai'ing wage has been paid and has specifically authorized the advance. Such a procedure would be wholly impracticable in connection with the small-house program because of the delays and expense involved in the more complicated procedure.

I am hoping that this letter may be helpful in clarifying your understanding of the effect of this proposal upon our operations.

Sincerely yours,

Raymond M. Foley,
Commissioner.

Mr. President, I shall not take any more of the time of the Senate. As I have indicated, this question was thoroughly discussed by us in the subcommittee which held all the hearings which form the basis of this bill, and that committee decided not to place the provision in the bill. The Banking and Currency Committee as a whole has likewise decided that such a provision probably would delay our building program.

I earnestly request the Senate to reject the amendment.

Mr. MAGNUSON. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hawkes	O'Mahoney
Austin	Hayden	Overton
Ball	Hill	Pepper
Bankhead	Hoey	Reed
Barkley	Huffman	Robertson
Bilbo	Johnson, Colo.	Saltonstall
Brewster	Knowland	Shipstead
Briggs	La Follette	Smith
Buck	Langer	Stewart
Byrd	Lucas	Taft
Capehart	McCarran	Taylor
Capper	McClellan	Thomas, Okla.
Carville	McFarland	Thomas, Utah
Donnell	McKellar	Tobey
Downey	McMahon	Tunnell
Eastland	Magnuson	Tydings
Ellender	Maybank	Vandenberg
Fulbright	Mead	Wagner
Gerry	Millikin	Walsh
Gossett	Mitchell	Wheeler
Green	Morse	Wherry
Guffey	Murdock	Wiley
Gurney	Murray	Young
Hart	O'Daniel	

The PRESIDING OFFICER. Seventy-one Senators have answered to their names. A quorum is present.

The question is on agreeing to the amendment offered by the Senator from Utah [Mr. Murdock].

Mr. MURDOCK. Mr. President, on this question I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. BANKHEAD (when his name was called). I have a general pair with the Senator from Nebraska [Mr. BUTLER]. Not knowing how he would vote, I transfer that pair to the Senator from West Virginia [Mr. KILGORE], who, if present and voting, would vote as I intend to vote. I am, therefore, at liberty to vote. I vote "yea."

Mr. THOMAS of Utah (when his name was called). I have a general pair with the Senator from New Hampshire [Mr. BRIDGES]. Not knowing how he would vote, I transfer that pair to the Senator from Pennsylvania [Mr. MYERS], who, if present and voting, would vote as I intend to vote. I am, therefore, at liberty to vote. I vote "yea."

The roll call was concluded.

Mr. HILL. I announce that the Senator from North Carolina [Mr. BAILEY], the Senator from Texas [Mr. CONNALLY], and the Senator from Virginia [Mr. GLASS] are absent because of illness.

The Senator from Georgia [Mr. GEORGE] and the Senator from New Mexico [Mr. HATCH] are absent by leave of the Senate.

The Senator from Florida [Mr. ANDREWS] and the Senator from South Carolina [Mr. JOHNSTON] are necessarily absent.

The Senator from West Virginia [Mr. KILGORE], the Senator from Pennsylvania [Mr. MYERS], the Senator from Maryland [Mr. RADCLIFFE], and the Senator from Georgia [Mr. RUSSELL] are detained on public business.

The Senator from New Mexico [Mr. CHAVEZ] is absent on official business.

I wish further to announce that if present and voting the Senator from New Mexico [Mr. CHAVEZ] and the Senator from Maryland [Mr. RADCLIFFE] would vote "yea."

Mr. WHERRY. The Senator from Nebraska [Mr. BUTLER], the Senator from Oklahoma [Mr. MOORE], and the Senator from Indiana [Mr. WILLIS] are absent by leave of the Senate.

The Senator from New Hampshire [Mr. BRIDGES] and the Senator from Kentucky [Mr. STANFILL] are necessarily absent.

The Senator from Illinois [Mr. BROOKS] is absent on official business.

The Senator from Michigan [Mr. FERGUSON] is necessarily absent. If present, he would vote "yea."

The Senator from South Dakota [Mr. BUSHFIELD], the Senator from Oregon [Mr. CORDON], the Senator from Iowa [Mr. HICKENLOOPER], the Senator from West Virginia [Mr. REVERCOMB], and the Senator from Iowa [Mr. WILSON] are unavoidably detained.

The result was announced—yeas 51, nays 20, as follows:

YEAS—51

Aiken	Huffman	O'Mahoney
Austin	Johnson, Colo.	Pepper
Bankhead	Knowland	Saltonstall
Barkley	La Follette	Shipstead
Brewster	Langer	Smith
Briggs	Lucas	Stewart
Carville	McCarran	Taylor
Donnell	McFarland	Thomas, Okla.
Downey	McKellar	Thomas, Utah
Gerry	McMahon	Tobey
Gossett	Magnuson	Tunnell
Green	Maybank	Tydings
Guffey	Mead	Vandenberg
Gurney	Mitchell	Wagner
Hart	Morse	Walsh
Hayden	Murdock	Wheeler
Hill	Murray	Wiley

NAYS—20

Ball	Ellender	Overton
Bilbo	Fulbright	Reed
Buck	Hawkes	Robertson
Byrd	Hoey	Taft
Capehart	McClellan	Wherry
Capper	Millikin	Young
Eastland	O'Daniel	

NOT VOTING—25

Andrews	Ferguson	Radcliffe
Bailey	George	Revercomb
Bridges	Glass	Russell
Brooks	Hatch	Stanfill
Bushfield	Hickenlooper	White
Butler	Johnston, S. C.	Willis
Chavez	Kilgore	Wilson
Connally	Moore	
Cordon	Myers	

So Mr. MURDOCK's amendment was agreed to.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed a bill (H. R. 6064) to extend the Selective Training and Service Act of 1940, as amended, and for other purposes, in which it requested the concurrence of the Senate.

HOUSE BILLS REFERRED OR PLACED ON CALENDAR

The following bills were each read twice by their titles and referred or ordered to be placed on the calendar, as indicated:

H. R. 5244. An act to authorize the appointment of additional foreign-service officers in the classified grades; to the Committee on Foreign Relations.

H. R. 6064. An act to extend the Selective Training and Service Act of 1940, as amended, and for other purposes; ordered to be placed on the calendar.

VETERANS' EMERGENCY HOUSING ACT OF 1946—APPOINTMENT OF CONFEREES

The PRESIDING OFFICER (Mr. HUFFMAN in the chair). Under the order of the Senate of April 10, 1946, the Chair appoints the Senator from Kentucky [Mr. BARKLEY], the Senator from Utah [Mr. MURDOCK], the Senator from Idaho [Mr. TAYLOR], the Senator from Washington [Mr. MITCHELL], the Senator from Ohio [Mr. TAFT], the Senator from Delaware [Mr. BUCK], and the Senator from Indiana [Mr. CAPEHART] the conferees on the part of the Senate on the bill (H. R. 4761) to amend the National Housing Act by adding thereto a new title relating to the prevention of speculation and excessive profits in the sale of housing, and to insure the availability of real estate for housing purposes at fair and reasonable prices, and for other purposes.

PHILIPPINE TRADE ACT OF 1946

The PRESIDING OFFICER (Mr. MITCHELL in the chair) laid before the Senate a message from the House of Representatives announcing its disagreement to the amendments of the Senate to the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. WALSH. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. WALSH, Mr. BARKLEY, Mr. CONNALLY, Mr. BYRD, Mr. LA FOLLETTE, Mr. VANDENBERG, and Mr. TAFT conferees on the part of the Senate.

NATIONAL HOUSING POLICY

The Senate resumed consideration of the bill (S. 1592) to establish a national housing policy and provide for its execution.

The PRESIDING OFFICER. The bill is before the Senate and open to further amendment.

Mr. WHERRY. Mr. President, I should like to ask the distinguished Senator from Ohio a question or two about the bill.

Is there any particular hurry about the passage of the bill? I do not make the inquiry with any ulterior motive, but in order to get before the Members of the Senate the fact that last Thursday, as I understood, when the Senator made his remarks in behalf of the bill, he said it provided a 10-year program, or approximately that, and that for the first 2 years the emergency housing bill would be included in the over-all picture, and that that would be taken care of first.

Will the distinguished Senator point out to me why it is necessary at this time, if that is true, to pass a long-range housing program of the comprehensibility of the pending bill, which involves such huge expenditures over a period of 4 or 5 years?

Mr. TAFT. Replying to the Senator from Nebraska, I might say that the emergency housing bill has nothing in particular to do with anything that is in the pending bill. The emergency housing bill is directed to the securing of materials and the stimulation of the procuring of materials which will make it possible to build houses.

So far as providing houses for a larger group of people is concerned, people of very low income, or those who would benefit from the stimulation of rental housing under the FHA provisions of the pending bill, the emergency housing bill has nothing to do with that subject whatever. I would say that the emergency housing bill relates merely to speeding up every housing program under existing law. But we think that that housing should be made available to as large a group of the population as possible, and not confined merely to those who are well-to-do.

Furthermore, the National Housing Administration has been established under the War Powers Act, and unless we enact a permanent law setting up a permanent housing agency, it will fall to pieces when the War Powers Act comes to an end, and before that happens we must provide for some permanent form of organization.

I believe that in providing a permanent form of organization we should provide a permanent and constant Government policy on housing, including all features of housing. Therefore it seems to me that while the bill does not have to be passed today, it is not like an emergency housing program, it is a matter for consideration as a part of the peace program, just as much as anything else we have been considering in all other fields of activity up to this time.

The program has been the subject of consideration by the Postwar Planning

House of Representatives

MONDAY, APRIL 15, 1946

The House met at 12 o'clock noon.

The Rev. Dr. Joseph Francis Thorning, rector of St. Joseph's Church, Carrollton Manor, Md., and special lecturer on South American history in the University of Maryland extension division, cofounder and organizer of the inter-American seminars in the other American Republics and Canada, offered the following prayer:

In the name of the Father and of the Son and of the Holy Spirit. Amen.

Lord of light and of love, regard with eyes of favor the Speaker of this House and all the Members of the Congress of the United States.

Aware of the loyal devotion of the citizens of the other American Republics and Canada, we implore that the treasures of Thy grace be poured forth abundantly upon the President of the United States, who, with the chief executives of our sister nations, is eager to cherish the spirit of friendship, a second line of defense and progress, throughout the Western Hemisphere.

Gathered together for this second official celebration of Pan-American Day, an anniversary dear to all the children of the Americas, we invoke Thy blessings upon the deputies and senators of all American democratic assemblies, where the values of truth, liberty, justice, and charity are respected. Light up their minds, dear Saviour, with the radiance of Thy beauty and glory.

Bestow Thy benediction in particular upon the architect of the good-neighbor policy and all loyal collaborators in governments, universities, colleges, inter-American centers, and schools. Lift up and enlarge this friendship to the plane of a good-neighbor policy for all men, women, and children of the world.

This we ask through Christ our Lord. Amen.

THE JOURNAL

The Journal of the proceedings of Saturday, April 13, 1946, was read and approved.

PHILIPPINE TRADE ACT OF 1946

Mr. DOUGHTON of North Carolina. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. DOUGHTON of North Carolina, COOPER, DINGELL, ROBERTSON of Virginia, KNUTSON, REED of New York, and WOODRUFF.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Miller, one of his secretaries, who also informed the House that on the following dates the President approved and signed a joint resolution and a bill of the House of the following titles:

On April 12, 1946:

H. J. Res. 328. Joint resolution making an additional appropriation for veterans' housing and related expenses.

On April 13, 1946:

H. R. 3796. An act to quiet title to certain school-district property in Enid, Okla.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills and a joint resolution of the House of the following titles:

H. R. 2115. An act relating to the domestic raising of fur-bearing animals;

H. R. 4896. An act to provide for payment of travel allowances and transportation and for transportation of dependents of members of the naval forces, and for other purposes; and

H. J. Res. 273. Joint resolution authorizing and requesting the President to issue annually a proclamation designating December 15 as Bill of Rights Day.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 287. An act for the relief of Murphy & Wischmeyer;

S. 470. An act to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim or claims of W. P. Richardson, as successor and assignee of W. P. Richardson & Co., of Tampa, Fla.;

S. 593. An act for the relief of Warrant Officer Wayne C. Proper;

S. 875. An act for the relief of Mercy Duke Boehl;

S. 943. An act granting the consent of Congress to the State of Washington to construct, maintain, and operate a free highway bridge across the Columbia River at Northport, Wash.;

S. 997. An act for the relief of Aldona Kojas;

S. 1201. An act for the relief of Arthur F. Downs;

S. 1286. An act for the relief of Sam Bechtold;

S. 1325. An act to amend the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," as amended;

S. 1442. An act for the relief of George O. Weems;

S. 1507. An act to better adapt the loan programs authorized by the Bankhead-Jones Farm Tenant Act, as amended, to the needs of veterans and low-income farmers, and for other purposes;

S. 1516. An act to amend section 12 of the Bonneville Project Act, as amended;

S. 1563. An act for the relief of Ferris Ruggles;

S. 1604. An act for the relief of Leo Stuhr;

S. 1636. To amend the Surplus Property Act of 1944 to designate the Department of State as the disposal agency for surplus property outside the continental United States, its Territories and possessions, and for other purposes;

S. 1714. An act to amend the act entitled "An act to prevent purchase and sale of public office," approved December 11, 1926;

S. 1742. An act for the relief of Socony-Vacuum Oil Co.;

S. 1747. An act for the relief of John C. Spargo;

S. 1757. An act to amend the Surplus Property Act of 1944, as amended, so as to broaden the scope and raise the rank of the veterans' priority;

S. 1801. An act authorizing the appointment of an additional judge for the district of Delaware;

S. 1802. An act to provide for the delivery of custody of certain articles of historic interest from the U. S. S. *Nevada* and the U. S. S. *Wyoming* to the State of Nevada and the State of Wyoming, respectively;

S. 1805. An act to authorize the promotion of personnel of the Navy, Marine Corps, and Coast Guard who were prisoners of war;

S. 1812. An act to provide reimbursement for personal property lost, damaged, or destroyed as the result of explosions at the naval ammunition depot, Hastings, Nebr., on April 6, 1944, and September 15, 1944;

S. 1834. An act granting the consent of Congress to the State of Iowa or the Iowa State Highway Commission to construct, maintain, and operate a free highway bridge across the Des Moines River at or near Farmington, Iowa;

S. 1854. An act to establish the civilian position of academic dean of the Postgraduate School of the Naval Academy and compensation therefor;

S. 1857. An act to authorize the availability of certain necessary administrative expenses of appropriations for the Department of the Interior;

S. 1862. An act to repeal section 1548 Revised Statutes (34 U. S. C. 592);

S. 1871. An act to authorize the conveyance of a parcel of land at the naval supply depot, Bayonne, N. J., to the American Radiator & Standard Sanitary Corp.;

S. 1872. An act to provide for the rank of original appointments in the Corps of Civil Engineers of the United States Navy, and for other purposes;

S. 1916. An act to authorize the Secretary of State to transfer certain silver candelabra to May Morgan Beal;

S. 1932. An act conferring jurisdiction upon the United States District Court for the Eastern District of South Carolina to hear, determine, and render judgment upon the claim of the board of trustees of the Saunders Memorial Hospital;

S. 1959. An act to authorize the payment of additional uniform gratuity to Reserve officers commissioned from the status of aviation cadets;

S. 1961. An act to exempt from taxation certain property of the Disabled American Veterans in the District of Columbia;

S. 1963. An act to authorize additional permanent professors of the United States Military Academy;

S. 1978. An act to authorize the restoration of Philip Nickum, Jr., to the active list of the United States Navy with appropriate rank and restoration of pay and allowances;

S. 1980. An act to continue in effect section 6 of the act of July 2, 1940 (54 Stat. 714), as amended, relating to the exportation of certain commodities;

S. 1986. An act to regulate the manufacture, sale, distribution, and use of barbiturates in the District of Columbia, and for other purposes; and

S. 2029. An act to authorize the Director of the United States Geological Survey to produce and sell copies of aerial or other photographs and mosaics, and photographic or photostatic reproductions of records, on a reimbursement of appropriations basis.

COMMITTEE ON WORLD WAR VETERANS' LEGISLATION

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that the Committee on World War Veterans' Legislation be permitted to sit during general debate of the sessions of the House for the rest of the week.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

SPECIAL ORDER

The SPEAKER. Under previous order of the House, the gentleman from Alabama [Mr. JARMAN] is recognized.

PAN-AMERICAN DAY

Mr. JARMAN. Mr. Speaker, it is with a feeling of sadness which normally would be gladness that we approach the commemoration of Pan-American Day, the sadness resulting from the fact that last year it was necessary to postpone this occasion because of the unexpected death of our great President, one who was not only a great President, not only a great Commander in Chief of our Army and Navy at war, but an equally great and good friend of pan-Americanism, one whose administration did as much to cement the relations between the American countries as any other administration has ever done or probably ever will do.

Personally I have another reason for approaching this occasion with sadness. It results from my reference last year to a great soldier. In referring at that time to the great liberator of South America, Simón Bolívar, and speaking of his widespread interest and influence, I referred to the fact that our troops on Okinawa were at that moment under the able command of one who bore his name. I wish to repeat the conclusion of that reference. I spoke, of course, of General Simon Bolivar Buckner, Jr., and referred to the fact that in South America he would be called Simón Bolívar Buckner, Jr. I said:

I know General Buckner personally. In view of that fact and my natural interest, I wish to heartily congratulate him and express my deep appreciation of the magnificent work the Tenth Army has done on Okinawa under his able leadership; and then I would indulge the hope and reverent prayer in which I know I will be joined by every person in this Chamber, for his similar future success.

The nearest American troops to Japan, I wish not only General Buckner, but every officer, noncommissioned officer, and private under him Godspeed, rapid progress, and early entrance into Tokyo.

I am happy to believe that that wish was fulfilled insofar as many of the soldiers under General Buckner were concerned because of their valor in conquering Okinawa and because of the fact that they were nearest to Japan. Unfortunately, it was not the good fortune of General Buckner or the United States or, I may add, Japan, for it to be fulfilled insofar as he was concerned, because just at the end of the Okinawa engagement, when the island had been all but conquered and there was only a little tip of it left to be conquered, that great soldier, General Buckner, while out in a front line observation post observing his troops wipe up that little tip of Okinawa, was felled by an enemy shell that ended the career of a distinguished gentleman and a great soldier.

It happened that I was not too far away at the time. I was at Guam. In fact, the day before I had been 825 miles nearer, on Iwo Jima. We were the guests at Guam of another able fighting man, that charming, suave, efficient, and able gentleman and sailor, Admiral Nimitz. He had been telling us at mealtimes about the progress of Okinawa, always encouraging reports, but on this morning he said, "Well, only a few more days will be necessary, gentlemen, on Okinawa, just two or three more days, but unfortunately we lost our Army commander yesterday." You can imagine the shock with which that information was received by us.

Mr. BENNETT of Missouri. Mr. Speaker, will the gentleman yield?

Mr. JARMAN. I gladly yield to the gentleman from Missouri.

Mr. BENNETT of Missouri. The gentleman has referred to the great South American liberator, General Bolivar. The gentleman will be interested to know that a number of towns in North America are named after the great liberator. The largest of these towns is known as Bolivar, Mo., in the district which I represent. Within the last few days the Ambassador from Venezuela has proposed to the President of the United States that South America be permitted to erect a monument in Bolivar, Mo., in honor of General Bolivar. Of course, we all hope that can be done.

Mr. JARMAN. I thank the gentleman very much for that contribution. I certainly consider the idea an excellent one, and I share his hope that it will be done.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. JARMAN. I yield to the gentleman from Mississippi.

Mr. RANKIN. One of the greatest contributions to pan-American unity took place within the last 2 weeks when this administration repudiated a Communist attempt to create a war between us and Argentina, reestablished diplomatic relations with Argentina, and sent an Ambassador to Buenos Aires. That is one of the greatest contributions to pan-American unity that has taken place in a long time.

Mr. JARMAN. We are all very appreciative of any contribution which may occur to pan-American unity.

Pan-American Day was originated in a resolution adopted by the Governing Board of the Pan American Union on May 7, 1930, as follows:

Whereas it would be desirable to recommend the designation of a date which should be observed as Pan-American Day in all the republics of America and which should be established as a commemorative symbol of the sovereignty of the American nations and the voluntary union of all in one continental community;

Whereas April 14 is the date on which the resolution creating the Pan American Union was adopted;

The governing board of the Pan American Union resolves: To recommend that the governments, members of the Pan American Union, designate April 14 as Pan-American Day, and that the national flags be displayed on that date.

Pursuant to this recommendation, the President of the United States issued a proclamation calling upon schools, civic associations, and people of the United States generally to observe the day with appropriate ceremonies, thereby giving expression to the spirit of continental solidarity and to the sentiment of cordiality and friendly feelings which the Government and the people of the United States entertain toward the peoples and governments of the other republics of the American continents.

Proclamations have been issued and legislation enacted in all the other American republics setting aside April 14 as Pan-American Day.

Today Pan-American Day has become one of the significant anniversaries of the country. It is the only day set apart by the governments of an entire continent to symbolize their common bond and their common hope for a system of international relations based on mutual respect and cooperation. The observance of Pan-American Day by Government leaders, as well as by educational institutions, clubs, commercial associations, and other groups, and its recognition by the press and radio, conveys its message of solidarity to young and old throughout the continent. It has become a powerful aid in bringing about a closer understanding among the nations of the Western Hemisphere.

The theme for 1946, the sixteenth annual observance of the day, is "Free and united, the Americas go forward." I repeat, "Free and united, the Americas go forward." The programs will be as diversified as the character of the 16 regions in which they will take place, but a common theme will be the first commemoration of the day of the Americas since the Allied victory in World War II.

Mr. RICHARDS. Mr. Speaker, will the gentleman yield?

Mr. JARMAN. I yield.

Mr. RICHARDS. Mr. Speaker, there is no subject of greater importance to the American people than pan-American unity and pan-American friendship. I have served with the gentleman from Alabama [Mr. JARMAN] on the Committee on Foreign Affairs for many years. I have noted his zeal year in and year

DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

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HIGHLIGHTS: House debated price-control and subsidies bill; vote on bill to be taken today. Both houses agreed to conference report on Philippine trade bill; agreed to Senate provision on sugar quotas, but stated it in terms of short, rather than long tons; ready for President. House Rules Committee cleared Pace bill to include farm-labor costs in parity formula. House committee reported bill to broaden veterans' preference for surplus property. Senate ratified protocol extending international agreements on sugar production and marketing. Sen. Mead commended USDA and other agencies on action to meet livestock-poultry feed needs.

HOUSE

1. PRICE CONTROL; SUBSIDIES. Continued debate on H. R. 6042, the price-control and subsidies extension bill (pp. 3948-4015).

<u>Agreed to</u> the following amendments:

By Rep. Wolcott, Mich., to continue price control until March 31, 1947, instead of June 30, 1947; by a 209-189 vote (pp. 3949-61, 4009-10).

By Rep. Wolcott, requiring price ceilings to yield all costs plus reasonable profit on all items; by a 259-137 vote (pp. 3961-71, 4010-11).

By Rep. Wolcott, to provide for the end of all subsidies by December 31; by a 245-150 vote (pp. 3972-8, 4011-14).

By Rep. Flannagan, Va., to remove all subsidies on livestock and meat on June 30; by a 214-182 vote (pp. 3978-80, 4014-5).

By Rep. Crawford, Mich., to prohibit OPA from forcing wholesalers to absorb higher costs on reconversion items; by a 214-183 vote (pp. 4002, 4015).

By Rep. Crawford, to move up from April 1, 1947, to January 2, 1947, the date on which the President must report to Congress on what commodities are in such short supply as to necessitate continuation of price control beyond the expiration date (pp. 3980, 4011).

By Rep. Gossett, Tex., providing that all price controls must be removed from a commodity when its production during the preceding 12 months equals the volume produced in the fiscal year 1941, with provisions that certifications that such is the case are to be made by the Secretary of Agriculture for all farm products and by the OPA advisory committees for most other items; by a 228-166 vote (pp. 3989-4002, 4011).

Rejected the following amendments:

By Rep. Wadsworth, N. Y., to prohibit price orders, etc., regarding livestock and its edible products; by a 172-223 vote (pp. 3983-6, 4012).

By Rep. Sundstrom, N. J., to define "reasonable profit" as that at least equal to generally prevailing profit 1939-1941; by a 107-128 vote (pp. 3986-9).

By Rep. Whittington, Miss., to prohibit all Government subsidies and sales at a loss after June 30, 1946; by a 62-172 vote (p. 4002).

By Rep. Boren, Okla., to prohibit ceilings below cost per unit plus average profit for any 3-year period between 1936 and 1941 (p. 4003).

By Rep. Landis, Ind., to require 15 days notice to canners or processors of seasonal farm products before ceilings are lowered (p. 4004).

By Rep. Robertson, N. Dak., to prohibit certain actions against State and local enforcement officials; by an 84-133 vote (pp. 4004-5).

By Rep. Koppleman, Conn., stating, "We sympathize with the American people"; by a 52-142 vote (p. 4005).

By Rep. Chenoweth, Colo., to place burden of proof on OPA to show that violations are willful (p. 4005).

By Rep. Andresen, Minn., to prohibit orders, etc., regarding agricultural commodities without the voluntary approval of the Secretary of Agriculture; by a 79-143 vote (pp. 4004, 4006).

By Rep. Barrett, Wyo., to prohibit proceedings against merchants violating orders but not willfully (pp. 4006-8).

Several amendments were presented, discussed, and withdrawn.

2. PHILIPPINE TRADE. ~~Both houses~~ agreed to the conference report on H. R. 5856, the Philippine trade bill (pp. 3927-8, 4008-9). The conferees fixed the sugar quota at 952,000 short tons, which is the same as the Senate provision for 850,000 long tons (House provision was for 850,000 short tons). ~~This bill will now be sent to the President.~~

3. FARM LABOR; PARITY FORMULA. The Rules Committee reported a resolution for consideration of H. R. 754, the Pace bill to include farm labor in the parity formula (p. 4009).

4. FARM BANKRUPTCY. Reps. Sumners of Tex., Hobbs, and Michener were appointed conferees on H. R. 5504, to continue the Farm Bankruptcy Act (p. 4017). Senate conferees have not yet been appointed.

5. SURPLUS PROPERTY. The Expenditures in the Executive Departments Committee reported without amendment H. R. 6157 (H. Rept. 1954)(p. 4020). This bill makes veterans' priorities next to those of the Federal Government, provides for certain property to be set aside and held temporarily for disposal to veterans, provides for a time limit of not over 20 days within which the Government agencies must exercise their priorities, and prohibits transfer of property between Government agencies on authority of any law approved before June 22, 1944.

6. STATISTICS. In reporting H. R. 5857 (see Digest 70), the Committee deleted Sec. 5, which would designate the Census Bureau as the central agency for collection and compilation of general-purpose statistics.

7. WILDLIFE CONSERVATION. The Agriculture Committee reported without amendment H. R. 3821, to provide a minimum limit for each State under the Pittman-Robertson Wildlife-Restoration Act and to transfer the administration of the projects to the States (H. Rept. 1943), and H. R. 6097, to make various amendments to the Act, including a requirement that when waters are to be impounded or

letter written to me by the Securities and Exchange Commission.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

SECURITIES AND EXCHANGE COMMISSION,
Philadelphia.

The Honorable STYLES BRIDGES,
United States Senate, Washington, D. C.

MY DEAR SENATOR BRIDGES: This is to refer to your letter dated January 23 requesting the details of any applications filed with the Securities and Exchange Commission by Mr. Henry J. Kaiser or any company with which he is connected.

Two registration statements under the Securities Act of 1933, covering public offerings of common stock of Kaiser-Frazer Corp., have been filed with and declared effective by the Commission. Kaiser-Frazer Corp. was incorporated on August 9, 1945. Messrs. Henry J. Kaiser and Joseph W. Frazer, the latter, president of Graham-Paige Motors Corp., were instrumental in its organization.

The first registration statement was filed on September 21, 1945. Upon completion of a customary review by the staff to ascertain whether or not, on its face, the registration statement was incomplete or inaccurate in any material respect, it was presented to the Commission. Having due regard to the adequacy of the information theretofore available to the public, to the facility with which the nature of the securities to be registered, their relationship to the capital structure of the issuer and the rights of holders thereof could be understood, and to the public interest and the protection of investors, the Commission, pursuant to section 8 (a) of the Securities Act of 1933, declared the registration statement effective on September 26, 1945. An offering of 1,700,000 shares of common stock, $1 par, of the company was then made to the public at $10 a share.

The second registration statement of Kaiser-Frazer Corp. was filed with the Commission on January 4, 1946. Again, after a review by the staff, the registration statement was presented to the Commission on January 23 and was declared effective on said date. An offering of 1,800,000 shares of common stock, $1 par, of the company was then made to the public at $20.25 per share. A copy of the prospectus relating to such offering is enclosed for your convenience.

No hearing was fixed by the Commission for either registration statement since neither appeared on its face incomplete or inaccurate in any material respect.

As you know, the registration provisions of the Securities Act of 1933 are intended to provide a full and fair disclosure of the character of securities sold in interstate commerce and through the mails. The statute does not grant authority to this Commission or any other governmental body to pass upon the merits of security or to approve or disapprove any security.

Please feel free to call for any further information you may desire regarding Kaiser-Frazer Corp., or any other phase of the work of this Commission.

Sincerely yours,

GANSON PURCELL,
Chairman.

Mr. BRIDGES. Mr. President, the latest Government contact with Kaiser is the lease of two aluminum plants in the State of Washington. Not only have they been leased to him at lower rentals than were offered by another bidder, but the Government has arranged to expend vast amounts in putting the plants in first-class shape for Kaiser to operate.

The facts about these cases have been supplied me in a letter by Irving Gumbel of the War Assets Administration, the agency which awarded the plants to Kaiser.

The Kaiser interests and the Reynolds Metal Co. were competitive bidders for the two properties. In each case, according to information supplied me by Gumbel, Kaiser bid less than Reynolds, but was awarded both plants. This was done on the theory, it appears, that it would be a healthy thing to have more competition in the aluminum field. In other words, the taxpayers were put in the position of supplying competition to private business.

Consulting Mr. Gumbel's figures, I find that Kaiser was awarded a 6-year lease on the Spokane, Wash., plant for a total of $4,160,000. The bid of the Reynolds Co. for a similar lease was $5,922,820, or $1,762,820 more than Kaiser offered. The Gumbel report also shows that on a 6-year lease for the Trentwood, Wash., plant the bids were: Kaiser $9,580,000 and Reynolds $10,584,560, a difference of $1,004,560 in favor of Reynolds. Acceptance of the Kaiser bids will cost taxpayers $2,767,380 over a 6-year period.

That, Mr. President, is hard to justify, and I cannot understand how the War Assets Corporation, or anyone else, can award the sale of Government plants on that basis. It is shameful; it is a disgrace.

Government losses on the Kaiser leases will be large enough if he carries out his entire 6-year contracts, but they will be proportionately greater if at the end of 2 years he should decide that he no longer is interested. Both of his bids carry 2-year cancellation clauses, as did also the Reynolds bids. But Kaiser bid only $468,000 for the first 2-year lease of the Spokane plant, compared with a $1,403,010 bid from Reynolds. In the Trentwood case, Kaiser offered and had accepted a bid of $910,000 for a 2-year lease while Reynolds bid $1,750,000 for the same period.

One of the amusing features of the aluminum plant awards was the explanation of Government officials that Kaiser was preferred partly because he plans to use much more aluminum in building automobiles than other auto manufacturers now are using. This sounds fine, but it is laughable to informed automobile men. Except at a few points on automobiles, steel can take the place of aluminum at about one-third the cost. The total amount of aluminum required for the average car is about 6 pounds. If Kaiser can find new and cheaper uses for aluminum in cars he will be a wonder indeed.

So far as I know, the above is a current summary of the high points of Kaiser's activities in snatching Government finances and property for himself. It is the most wholesale use of Government funds by anyone, certainly to my knowledge. It may be that there are overnight developments of which I have no knowledge. Frankly, I have had to stop several times since starting my study of the Kaiser kingdom to investigate new features. There seems to be no end to what the New Deal business planners who believe in Kaiser magic will do for him. It would not surprise me to hear any day now that he has been given a billion public dollars to perfect a perpetual motion machine, or a rocket transportation system to the moon. Whether he could accomplish any results in either sphere is doubtful. But there is no doubt in my mind that if asked and offered sufficient Government cash he would try.

Personally, I think Kaiser, instead of being a master-minded industrialist, is the Nation's foremost humorist. He appears to be both an amusing and amused fellow. No one could have accepted all of the chores which have been forced on him by those in charge of our lending agencies without getting a laugh out of it. But it is tough on the taxpayer.

PHILIPPINE TRADE ACT OF 1946—CONFERENCE REPORT

Mr. WALSH submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5856) To provide for trade relations between the United States and the Philippines, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 5, 6, and 7; and agree to the same.

Amendments Numbered 1, 2, 3, and 4: That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, and 4, and agree to the same with amendments as follows: Omit the matter proposed to be inserted by the Senate amendments and on page 11 of the House engrossed bill strike out all after the word "exceed" in line 16 through line 21, and insert in lieu thereof the following: "952,000 short tons (the equivalent of 850,000 long tons), of which not to exceed 56,000 short tons (the equivalent of 50,000 long tons) may be refined sugars; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 476,000 short tons (the equivalent of 425,000 long tons), of which not to exceed 28,000 short tons (the equivalent of 25,000 long tons) may be refined sugars."

And the Senate agree to the same.

DAVID I. WALSH,
ALBEN BARKLEY,
TOM CONNALLY,
HARRY F. BYRD,
ROBERT M. LA FOLLETTE, Jr.,
ROBERT A. TAFT,
Managers on the Part of the Senate.

R. L. DOUGHTON,
JERE COOPER,
JOHN D. DINGELL,
A. WILLIS ROBERTSON,
HAROLD KNUTSON,
DANIEL A. REED,
ROY O. WOODRUFF,
Managers on the Part of the House.

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. WALSH. Mr. President, only one issue was before the conferees, and that was whether the quota should be 850,000 long tons of sugar or 850,000 short tons. The conference resulted in accepting the position taken by the Senate, namely, 850,000 long tons.

Mr. WHITE. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. WHITE. Is the report signed by all the conferees on the part of the Senate?

Mr. WALSH. It is.

Mr. President, I move the adoption of the report.

The report was adopted.

THOMAS C. LOCKE—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 75) for the relief of Thomas C. Locke, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its amendment.

ALLEN J. ELLENDER,
W. LEE O'DANIEL,
Managers on the Part of the Senate.
DAN R. MCGEHEE,
W. A. PITTENGER,
Managers on the Part of the House.

The report was agreed to.

MRS. C. A. LEE, ADMINISTRATRIX OF ESTATE OF ROSS LEE, DECEASED

The PRESIDING OFFICER (Mr. MURDOCK in the chair) laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to the bill (H. R. 941) for the relief of Mrs. C. A. Lee, administratrix of the estate of Ross Lee, deceased, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. ELLENDER. I move that the Senate insist upon its amendment, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. ELLENDER, Mr. EASTLAND, and Mr. WHERRY conferees on the part of the Senate.

ESTATE OF MICHAEL J. MCDONOUGH, DECEASED—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 2483) for the relief of the estate of Michael J. McDonough, deceased, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same.

ALLEN J. ELLENDER,
WAYNE MORSE,
Managers on the Part of the Senate.
JOHN JENNINGS, Jr.,
DAN R. MCGEHEE,
Managers on the Part of the House.

The report was agreed to.

LEAVE OF ABSENCE

Mr. WHERRY. Mr. President, I ask unanimous consent to be excused from the Senate for the remainder of the afternoon.

The PRESIDING OFFICER. Without objection, leave is granted.

STATUS AND CONTINUITY OF FRANCO GOVERNMENT IN SPAIN

Mr. PEPPER. Mr. President, we have been informed by the press that at an early date there will be presented to and considered by the Security Council of the United Nations Organization the request of the Polish representative for consideration of the status and continuity of the government of Franco in Spain. We know that the United Nations Organization has jurisdiction of any matter which by its character or extent threatens the peace of the world.

I have before me a press release of the Department of State issued on March 4, 1946, which contains excerpts from conversations between Axis partners or conspirators and correspondence which was exchanged between members of this unholy alliance. I shall read only a very few excerpts from this press release of our own State Department, merely to refresh the minds of Senators and of our citizenry with regard to the collusion and conspiracy which existed before the war and during the war among Hitler, Mussolini, and Franco.

I read the following from a memorandum dated August 8, 1940, by Stohrer, the German Ambassador to Spain:

According to a memorandum presented in June of this year by the Spanish Embassy, the Spanish Government declares itself ready, under certain conditions, to give up its position as a "nonbelligerent" state and to enter the war on the side of Germany and Italy. The Spanish Foreign Minister, and also the Minister of the Interior, have up until the last few days repeatedly pointed out this Spanish offer to me, so that it may be assumed that Spain even today will keep its promise made in June.

I quote from a letter from General Franco to Mussolini. The letter is dated August 15, 1940. I read just a paragraph:

DEAR DUCE: Since the beginning of the present conflict, it has been our intention to make the greatest efforts in our preparations in order to enter the foreign war at a favorable opportunity in proportion to the means at our disposal, since the lack of the most vital provisions and the interruption of communications with Italy and Germany hindered every operation at the moment.

Skipping a couple of paragraphs:

In this manner, Spain, in addition to the contribution which she made to the establishment of the New Order through our years of hard struggle, offers another in preparing herself to take her place in the struggle against the common enemies.

In this sense we have requested from Germany the necessities for action, while we push forward the preparations and make every effort to better the provisioning situation as far as possible.

For all these reasons, you will understand the urgency in writing you, to ask your solidarity in these aspirations for the achievement of our security and greatness, while I, at the same time, assure you of our unconditional support for your expansion and your future.

With my greatest admiration for the brave Italian comrades who are fighting so gloriously, I send you my most cordial regards.

F. FRANCO.

It will be recalled that that letter was addressed to Mussolini in August of 1940.

I quote from a letter from Mussolini to Franco, dated August 25, 1940. It begins "Dear Franco." I skip a couple of paragraphs and read:

Ever since the outbreak of the war I have been constantly of the opinion that "your" Spain, the Spain of the Falange Revolution, could not remain neutral until the end of the war, but at the right moment would change to nonbelligerency and finally to intervention.

Should that not happen, Spain would alienate herself from European history, especially the history of the future, which the two victorious Axis Powers will determine.

Again:

There is no doubt that after France Great Britain will be defeated; the British regime exists only on one single cement: the lie.

I quote further from the same letter:

I beg you, dear Franco, to accept my most cordial and comradely greetings.

MUSSOLINI.

FRANCO TO HITLER

I read from a letter from Generalissimo Franco to Hitler, dated September 22, 1940:

I thank you very much for your idea, put before Minister Suner, of providing me with an opportunity for us to meet near the Spanish border, for, apart from my eager wish to greet you personally, we could have a more thorough and more direct exchange of ideas than our present communications make possible. I should therefore like to state to you my opinion about the individual points of your letter.

I quote further from the same letter:

I am in agreement with you that driving the English out of the Mediterranean Sea will impove the condition of our transports, although it is self-evident that not all questions of the provisioning of Spain will be solved thereby since there are many products and raw materials which Spain lacks, and which are not to be found in the Mediterranean Basin.

2. I am likewise, of the opinion that the first act in our attack must consist in the occupation of Gibraltar. In this sense our military policy in the straits since 1936 has been directed by anticipating the English intentions of expanding and protecting their bases.

I agree with your opinion that it is possible to aim at the success of this operation within a few days by the use of modern equipment and tried troops. In this sense, the equipment which you offer me will be of great effect.

For our part, we have been preparing the operation in secret for a long time, since the area in which it is to take place has no suitable network of communications.

Quoting further from the same letter:

8. I consider the offer contained in your point 8, for our understanding as extremely useful and absolutely necessary. For the economic aid which you offer me with such foresight and in the highest measure possible for Germany, is just as important as the military equipment. For our part, I offer you reciprocal aid of the same type and to the greatest extent possible considering our potentialities.

* * * * * *

I would like to thank you, dear Fuehrer, once again for the offer of solidarity. I reply with the assurance of my unchangeable and sincere adherence to you personally, to the German people and to the cause for which you fight. I hope, in defense of this cause,

dividuals and piling up imposing amounts in fine money. In this connection, I quote from the official bulletin of the district office Wyoming Price Notes of July 15, 1945: "We are happy to say that during the month of June price-panel activities were almost double those of May. The Caspar board takes first place with 14 administrator's claim sanctions applied with $675 paid into the United States Treasury and $78.55 returned to customers. The Riverton board was second, collecting $400 in administrator's claims for the United States Treasury." I presume if a sufficient amount of money were taken out of circulation through the medium of collecting fines, it would tend to head off inflation, but it seems like a rather roundabout way of getting at the subject.

The viewpoints of the local businessmen on the panel and the bureau employees who had taken up the fight against inflation as a vocation, with a perfectly natural desire that the battle would never be completely won, drifted further and further apart. I don't wish to waste your time with recounting too many specific instances and examples. Let me simply say, that so far as I was able to observe the general plan of operation was to have the leg men pester the life out of the small grocery operators with monthly checks. (They didn't seem to bother the big boys.) The inquisitors were generally able to find a grade A ticket on a grade B roast or a 15-cent can of peas sitting above a 16-cent price ticket. In most instances the violations were obviously technical mistakes. Investigation generally revealed that there were also a good many items priced under the ceiling. The investigators usually operated in a high-handed manner, dragging the unfortunate merchant, who was always pretty busy, being compelled to make his own living without any assistance from the Government tax receipts, before the panel and insisting that we levy administrators claims of $50 against the victim. As mentioned before, the results were usually not very gratifying to the storm troopers.

* * * * *

Personally, I could not approve of these gestapolike operations even for heading off an inflation which to all intents and purposes is already here, and I fear will become more acute, not in spite of the OPA, but because of it.

Very truly,

A. E. ROEDEL.

CHEYENNE CHAMBER OF COMMERCE,
Cheyenne, Wyo., February 26, 1946.

Mr. FRANK A. BARRETT,
House of Representatives,
Washington, D. C.

DEAR MR. BARRETT: On the unanimous recommendation of the Chamber of Commerce Merchants' Committee, composed of 20 representative businessmen of this city, the chamber board of directors today passed a resolution asking your assistance in having the members of the local food price panel reinstated.

The members of this panel were recently discharged by OPA State director, Mr. Melvin Rollins, because he did not agree with the findings of the members of the panel after their investigation of the charges against eight local food dealers. The members of this panel consisted of representative citizens as follows:

Mr. Dan Rees, insurance agency.
Mr. Lawrence Baggs, clothing store.
Mr. Charles Durning, furniture store.
Mr. Saul Stark, clothing store.
Mr. Orin F. French, carpenter.
Mr. Fred M. Sinclair, railroad employee.

Most of the members of the panel have served for a period of approximately 4 years, and their services have been entirely satisfactory until 2 or 3 weeks ago, when, for some reason, the OPA apparently changed their attitude and arbitrarily insisted on fines for all violations, including unintentional errors in prices. The members of the panel have taken into consideration in the past, that with an extremely large number of items in grocery, variety stores, etc., it is practically impossible to avoid an occasional error of 1 or 2 cents. However, the OPA recently has insisted that a fine of $25 be assessed for unintentional errors and $50 for willful violations. The members of the panel refused to prosecute in these cases where it was beyond doubt an unintentional mistake, and because of this, were discharged by the OPA.

The merchants' committee and the board are definitely not against OPA price regulations generally, but do not feel that the merchants of this city should be subject to persecution for honest mistakes for the sake of collecting fines or showing a record in enforcements.

Your prompt consideration of this request and a reply will be appreciated.

Yours respectfully,

ROBERT D. HANESWORTH,
Secretary.

Excerpts from letter of Dr. P. M. Cunningham to the district OPA director under date of February 26 last, as published in the Cheyenne (Wyo.) Tribune:

It has always been the desire of the local rationing board members, insofar as possible, to use good common sense in applying OPA rules and regulations to the merchants of their community and I firmly believe that was the intent of Congress. Moreover, I believe anyone with even reasonably good business judgment agrees that this procedure has been the most effective possible means of securing the results that the principle of OPA seeks.

It was also our idea to try to control prices by creating a spirit of cooperation with the merchants, rather than by persecuting each and every one who unintentionally violated even some minor regulations. But evidently our policy in this regard is not your own policy.

By your recent action in discharging some of my fellow board members you have held out to the public that my associates—who, let me tell you, are among Cheyenne's finest and most substantial and patriotic citizens—have failed in the work we carried on to the best of our ability.

In my opinion your policy seems to be to convict every merchant who has, though unintentionally, slightly offended OPA rules as interpreted by your office. Apparently it is your further policy to fine him.

Excerpts from a letter received, dated February 11, 1946, signed by 35 Cheyenne grocers, to myself:

The undersigned are independent grocers who operate grocery stores in the city of Cheyenne. We are all merchants of standing, who have been well regarded by our customers and the other citizens of this community. All of us are law-abiding people who have always endeavored to abide by the spirit as well as the letter of the law.

* * * * *

Despite our sincere desire and effort to comply with any law, regardless of our own personal opinion of it, we are now confronted with a situation which has become almost intolerable due to the unjust and arbitrary administration of the Emergency Price Control Act by the district OPA office. Specifically, some of the grievances which we are subjected to are as follows:

1. It seems that some district officials of the OPA desire to make a record of convictions, rather than to cooperate with willing merchants who wish to comply with a difficult law. We have been advised and believe that the Denver, Colo., district has allotted each subdistrict, or subdivision of the OPA, a quota of monthly convictions which they are directed to obtain. This can only be due to a desire to perpetuate a bureaucratic group in office, rather than to conduct an intelligent and understanding enforcement of the law.

* * * * *

2. No sympathy, understanding, or appreciation of the difficulties of the grocers has been shown by the district OPA administration. There are about 2,200 grocery items which are constantly subject to price changes. Due to the great volume and quantity of articles, and the difficulty of hiring efficient help, it is impossible to avoid technical mistakes and to correctly price every article in the store at all times, despite the best of intentions. It is rapidly reaching a state where the cost of conforming with the rules of this arbitrary district will be prohibitive.

* * * * *

3. Numerous times we have been improperly summoned by the OPA and subjected to resulting embarrassment and annoyance caused by the arbitrary and unfair conduct of the district office officials.

* * * * *

4. The local district officials have caused to be served upon us OPA Form T–806 (revised 12–45), a copy of which is annexed, directing us to execute the same without a hearing. This is a brazen violation of the law, and a clever and unfair attempt of the OPA to deprive us of our privilege against self-incrimination, specifically provided for by the law. (50 U. S. C. A. 922 (g).) By directing the local authorities to use the so-called "voluntary conference," the district office has endeavored to deprive us of the above privilege, and to induce us to make incriminating and damaging admissions to violations which we have not committed, repeatedly advising us that it does not cost the Government anything to prosecute cases, as the Government attorneys are employed continuously anyway.

* * * * *

The effect of the above has been to harass and annoy us, and to brand law-abiding citizens as violators of the law. The problems and costs of operating most any small business today are such that it is unfair and unjust to foist upon us such a bureaucratic district administration more desirous of operating as a Gestapo than a fair administration, who constantly hope that we err, eagerly seizing upon the slightest violation so that by our resultant misfortune they may perpetuate themselves.

This letter shows the pressure that is put on the merchant to pay a fine:

OFFICE OF PRICE ADMINISTRATION,
Cheyenne, Wyo., February 27, 1946.

Mr. BEN GOLDSTEIN,
Cheyenne Trading Co.,
Cheyenne, Wyo.

DEAR SIR: On February 19, 1946, several purchases were made in your place of business by investigators of this office as a result of which it was found that you had charged prices in excess of those permitted by the Office of Price Administration regulations, particularly the community price list effective in your city, a copy of which, with any amendments thereto, has been furnished to you by this office.

The items sold and the correct sale price for them at the time are as follows:

	Sale price, cents	Ceiling price, cents
Libby's yellow cling peaches, halves, in light sirup, No. 2½ can	31	30
Onions, No. 1 yellow, 1¼ pounds	14	11
Oranges, 2 pounds	25	23

As you are no doubt aware, sales of goods over ceiling prices may result in severe civil

or criminal actions including the possibility of suspension of your license to do business, injunction suits, or suits for treble damages for all sales made over ceiling prices for a period of a year prior to the initiation of the suit.

This is to advise you that this office contemplates bringing a suit against you for the minimum amount of $50 for the specific violations stated above and that this office is not permitted to compromise its claim for less than this amount. If it is your desire to avoid any further inconvenience, the matter may be settled by your tendering to this office a certified check, bank cashier's check, or postal money order made payable to the United States Treasurer in the amount of $50. This offer to compromise, however, is distinctly limited to the violation described above and must be accepted by you not later than March 9, 1946. That is, your check, if delivered by mail, must be postmarked no later than that date. Upon receipt of this check you will be given a release of the Administrator's treble-damage claim covering the above sales.

Yours very truly,

SEYMOUR S. BERNFIELD,
Acting Commodity Chief, Food Section.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wyoming.

The amendment was rejected.

Mr. HALE. Mr. Chairman, I have an amendment at the Clerk's desk. I ask unanimous consent that it be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Maine?

There was no objection.

The amendment referred to follows:

Amendment offered by Mr. HALE: Page 7, line 3, after the word "commodity" insert "not including coffee."

Mr. CHENOWETH. Mr. Chairman, I have an amendment at the Clerk's desk which prohibits the imposition of slaughter quotas. This same subject has been taken care of by the Wadsworth amendment, which was adopted.

Mr. Chairman, I ask unanimous consent that my amendment be printed in the RECORD at this point, and I also ask unanimous consent to extend my remarks following the printing of my amendment at this point in the RECORD, and also to extend my remarks in the RECORD preceding the vote on my previous amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The amendment referred to follows:

Amendment offered by Mr. CHENOWETH: Page 10, insert a new subsection, as follows:

"That section 3-A of the Emergency Price Control Act of 1942, as amended, be amended to read as follows:

"'Section 3-A. While this act is in effect, no quota or other slaughtering limitation shall be imposed, under authority of this or any other law, on any slaughterer of animals operating under a license or permit issued pursuant to State laws.'"

Mr. CHENOWETH. Mr. Chairman, the amendment just read would prohibit the OPA from establishing slaughter quotas in any licensed packing plant in this country. I have been reading in the press during the past few days that it is the intention of OPA to reinstate the slaughter quotas that were abolished last fall, and that each packer would be restricted to the amount of livestock slaughtered in 1944. This announcement from OPA disturbs me no little, as I recall the unfortunate and disastrous results of these slaughter quotas during the period they were in effect.

However, in view of the fact that the amendment offered by the gentleman from New York [Mr. WADSWORTH], and adopted earlier today, will accomplish the purpose of my amendment, I have asked that this amendment be withdrawn.

Mr. Chairman, the theory of the quotas on the slaughter of livestock is very fine, but in practice it does not work out. The idea is to channel larger numbers of animals through the larger packers and to obtain a more even distribution of meat in the country. However, the experience with these quotas before demonstrated that about the only persons to benefit therefrom were the black-market operators, who were able to obtain increased quantities of livestock. The local packing plant was closed during part of each month because its quota had been used up, and the animals that normally were processed in this type of plant went to the black market.

I cannot understand why OPA does not profit by its mistakes. Surely those administering price control, and in charge of the meat section, must recall what happened before. However, it now seems they intend to try again, and I predict the results will be equally disappointing.

Last year when the extension of the Price Control Act was before the House an amendment was adopted which provided that the quotas would be removed from any packing plant, licensed under State laws, which the Secretary of Agriculture would certify as being operated under sanitary conditions. I offered a substitute to this amendment when it was adopted, and contended at that time that the procedure set up for certification by the Secretary was too intricate and complicated. I proposed then, and again submit to the House, that the only feasible and practical solution to this situation is to abolish all quotas.

My prediction that the amendment would not work successfully was correct. I am advised that out of some 18,000 licensed packing plants under State laws only 195 qualified under these regulations. It is obvious that the amendment proved to be almost a total failure.

It is estimated that there is now a surplus of almost 10,000,000 cattle in this country. If slaughter quotas are again established, as contemplated by OPA, it will mean that the black-market operators will be the only ones to benefit. We will again see the anomalous situation where there are large numbers of cattle ready for the market, local plants are ready to process them, the local retail meat markets have no beef for sale, and the OPA refuses permission for these cattle to be slaughtered in the usual manner. Such a situation defies belief, but it did actually happen before, and it looks now like it will be repeated, because of the refusal of OPA to recognize the facts.

Mr. Chairman, I hope the Wadsworth amendment remains in the bill as it is finally passed, so that the OPA will be prevented from again establishing slaughter quotas.

The CHAIRMAN. Are there any other amendments? If not, under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. COOPER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H. R. 6042) to amend the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, and for other purposes, pursuant to House Resolution 591, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

TRADE RELATIONS BETWEEN THE UNITED STATES AND THE PHILIPPINES

Mr. DOUGHTON of North Carolina submitted the following conference report and statement on the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 5, 6, and 7.

AMENDMENTS NUMBERED 1, 2, 3, AND 4

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, and 4, and agree to the same with amendments as follows: Omit the matter proposed to be inserted by the Senate amendments and on page 11 of the House engrossed bill strike out all after the word "exceed" in line 16 through line 21, and insert in lieu thereof the following: "952,000 short tons (the equivalent of 850,000 long tons), of which not to exceed 56,000 short tons (the equivalent of 50,000 long tons) may be refined sugars; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 476,000 short tons (the equivalent of 425,000 long tons), of which not to exceed 28,000 short tons (the equivalent of 25,000 long tons) may be refined sugars."

And the Senate agree to the same.

R. L. DOUGHTON,
JERE COOPER,
JOHN D. DINGELL,
A. WILLIS ROBERTSON,
HAROLD KNUTSON,
DANIEL A. REED,
ROY O. WOODRUFF,
Managers on the Part of the House.

DAVID I. WALSH,
ALBEN BARKLEY,
TOM CONNALLY,
HARRY F. BYRD,
ROBERT M. LA FOLLETTE, Jr.,
ROBERT A. TAFT,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, submit the following statement in explana-

tion of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: The House bill fixed the quota for sugars at 850,000 short tons. The Senate amendment fixed it at 850,000 long tons. The conference agreement fixes it at 952,000 short tons, which is the same number of pounds as 850,000 long tons.

Amendments Nos. 2, 3, and 4: These are amendments dependent on the action taken with respect to amendment No. 1, and the conference agreement makes corresponding changes in the Senate amendments.

Amendments Nos. 5, 6, and 7: These are clerical amendments, and the House recedes.

R. L. DOUGHTON,
JERE COOPER,
JOHN D. DINGELL,
A. WILLIS ROBERTSON,
HAROLD KNUTSON,
DANIEL A. REED,
ROY O. WOODRUFF,
Managers on the Part of the House.

PHILIPPINE REHABILITATION BILL

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the gentleman from Missouri [Mr. BELL] may have until midnight tonight to file a conference report and statement on the Philippine rehabilitation bill.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. BELL submitted the following conference report and statement:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1610) to provide for the rehabilitation of the Philippines, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its amendment numbered 24.

That the Senate recede from its disagreement to the amendments of the House numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144; and agree to the same.

And agree that the title be amended to read: "An Act for the Rehabilitation of the Philippines."

C. JASPER BELL,
J. W. ROBINSON,
ED GOSSETT,
RICHARD J. WELCH,
W. STERLING COLE,
Managers on the Part of the House.

M. E. TYDINGS,
CARL HAYDEN,
B. K. WHEELER,
A. H. VANDENBERG,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1610) to provide for the rehabilitation of the Philippines, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate recedes on all amendments except No. 24. The House recedes on amendment No. 24.

Amendment No. 24 limited unincorporated associations, trusts, and corporations who could qualify as claimants for compensation to those composed of individuals who are qualified persons under the act.

The effect of receding from amendment No. 24 is to remove such limitations and to qualify unincorporated associations, trusts, and corporations on the basis of their nationality and residence and without reference to who composes or owns any interest in them, except that no payments can be made to such unincorporated associations, trusts, and corporations which are owned or controlled by enemy aliens and persons who have been found guilty of collaborating with the enemy or of any act involving disloyalty to the United States or the Philippines, or either of them. This restores subsection (4) of subparagraph (b) of section 102 to read exactly as it was reported to the House by the Committee on Insular Affairs, with the committee amendments as agreed to.

C. JASPER BELL,
J. W. ROBINSON,
ED GOSSETT,
RICHARD J. WELCH,
W. STERLING COLE,
Managers on the Part of the House.

HOUR OF MEETING TOMORROW

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 10 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

AGRICULTURAL ADJUSTMENT

Mr. COX, from the Committee on Rules, reported the following privileged resolution (H. Res. 602, Rept. No. 1958), which was referred to the House calendar and ordered to be printed:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 754) to amend section 301 (a) (1) of the Agricultural Adjustment Act of 1938, as amended, and the first sentence of paragraph (1) of section 2 of the Agricultural Adjustment Act of 1933, as amended, and as reenacted and amended by the Agricultural Marketing Act of 1937, approved June 3, 1937, as amended, so as to include the cost of all farm labor in determining the parity price of agricultural commodities. That after general debate, which shall be confined to the bill and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

EMERGENCY PRICE CONTROL ACT

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment?

Mr. SPENCE. Mr. Speaker, I demand a separate vote on each amendment adopted in the Committee of the Whole.

The SPEAKER. The Clerk will report the first amendment on which a separate vote has been demanded.

The Clerk read as follows:

Amendment offered by Mr. WOLCOTT: Page 1, line 5, strike out the date "June 30, 1947" and insert in lieu thereof the date "March 31, 1947."

Mr. McCORMACK. Mr. Speaker, I understand there are two similar amendments changing the date. I ask unanimous consent that both of those amendments be considered together.

Mr. WOLCOTT. Mr. Speaker, the first and third amendments have to do with the date and, as far as I am concerned, there is no objection to considering them together.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The SPEAKER. The Clerk will report the other amendment.

The Clerk read as follows:

Amendment offered by Mr. WOLCOTT: Page 1, line 8, strike out the date "June 30, 1947" and insert in lieu thereof the date "March 31, 1947."

The SPEAKER. The question is on the amendments.

Mr. McCORMACK. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 209, nays 189, not voting 32, as follows:

[Roll No. 89]

YEAS—209

Abernethy	Dirksen	Horan
Adams	Dolliver	Howell
Allen, Ill.	Dondero	Jenkins
Andersen,	Doughton, N. C.	Jennings
H. Carl	Dworshak	Jensen
Anderson, Calif.	Earthman	Johnson, Ill.
Andresen,	Eaton	Johnson, Ind.
August H.	Elliott	Johnson, Okla.
Angell	Ellis	Jones
Arends	Ellsworth	Jonkman
Arnold	Elston	Kearney
Auchincloss	Engel, Mich.	Keefe
Baldwin, Md.	Fenton	Kilburn
Barden	Fernandez	Kilday
Barrett, Wyo.	Fuller	Kinzer
Bates, Mass.	Gamble	Knutson
Beall	Gardner	Kunkel
Bender	Gathings	Landis
Bennet, N. Y.	Gavin	Lanham
Bennett, Mo.	Gearhart	Larcade
Bishop	Gerlach	Latham
Blackney	Gifford	LeCompte
Bolton	Gillespie	LeFevre
Boren	Gillette	Lemke
Bradley, Mich.	Gillie	McConnell
Brehm	Goodwin	McCowen
Brown, Ohio	Gossett	McGehee
Brumbaugh	Grant, Ind.	McGregor
Buck	Griffiths	McKenzie
Buffett	Gross	McMillan, S. C.
Butler	Gwinn, N. Y.	Mahon
Byrnes, Wis.	Gwynne, Iowa	Martin, Iowa
Campbell	Hagen	Martin, Mass.
Carlson	Hale	Mason
Case, S. Dak.	Hall,	Mathews
Chenoweth	Edwin Arthur	Merrow
Chiperfield	Hall,	Michener
Church	Leonard W.	Miller, Nebr.
Clason	Halleck	Mills
Clevenger	Hand	Mundt
Clippinger	Harness, Ind.	Murray, Tenn.
Cole, Kans.	Hartley	Murray, Wis.
Cole, Mo.	Herter	Norblad
Cole, N. Y.	Heselton	Norrell
Cooley	Hess	O'Hara
Cox	Hill	O'Konski
Cravens	Hoeven	Phillips
Crawford	Hoffman	Pittenger
Cunningham	Holmes, Mass.	Ploeser
Curtis	Holmes, Wash.	Plumley
D'Ewart	Hope	Poage

Price, Fla.
Randolph
Rankin
Reed, Ill.
Reed, N. Y.
Rees, Kans.
Rich
Rivers
Rizley
Robertson, N. Dak.
Robsion, Ky.
Rockwell
Roe, Md.
Rogers, Fla.
Rogers, Mass.
Russell
Schwabe, Mo.
Schwabe, Okla.
Scrivner
Shafer
Short
Sikes
Simpson, Ill.
Simpson, Pa.
Smith, Maine
Smith, Ohio
Smith, Wis.
Springer
Stefan
Stevenson
Stewart
Stigler
Stockman
Sumner, Ill.
Sumners, Tex.
Sundstrom
Taber
Talbot
Talle
Tarver
Taylor
Thomas, N. J.
Tibbott
Towe
Vinson
Vorys, Ohio
Vursell
Wadsworth
Weichel
West
Whitten
Whittington
Wickersham
Wigglesworth
Winstead
Winter
Wolcott
Wolfenden, Pa.
Wood
Woodruff

NAYS—189

Almond
Andrews, Ala.
Bailey
Baldwin, N. Y.
Barrett, Pa.
Barry
Bates, Ky.
Beckworth
Bell
Biemiller
Bland
Bloom
Bonner
Boykin
Bradley, Pa.
Brooks
Brown, Ga
Bryson
Buckley
Bulwinkle
Burch
Byrne, N. Y.
Camp
Canfield
Cannon, Fla.
Cannon, Mo.
Carnahan
Case, N. J.
Celler
Chapman
Chelf
Clark
Clements
Coffee
Combs
Cooper
Corbett
Courtney
Crosser
D'Alesandro
Daughton, Va.
Dawson
De Lacy
Delaney, James J.
Delaney, John J.
Dingell
Domengeaux
Douglas, Calif.
Douglas, Ill.
Doyle
Drewry
Durham
Eberharter
Elsaesser
Engle, Calif.
Ervin
Fallon
Feighan
Flannagan
Flood
Fogarty
Folger
Forand
Fulton
Gallagher
Gary
Geelan
Gordon
Gore
Gorski
Granahan
Granger
Grant, Ala.
Green
Gregory
Hare
Harless, Ariz.
Harris
Hart
Havenner
Hays
Healy
Hébert
Hedrick
Heffernan
Hendricks
Hinshaw
Hobbs
Hoch
Holifield
Hook
Huber
Hull
Jackson
Johnson, Calif.
Johnson, Luther A.
Johnson, Lyndon B.
Judd
Kean
Kee
Kefauver
Kelley, Pa.
Kelly, Ill.
Keogh
Kerr
King
Kirwan
Klein
Kopplemann
LaFollette
Lane
Lea
Lesinksi
Lewis
Link
Ludlow
Lyle
Lynch
McCormack
McDonough
McGlinchey
Madden
Maloney
Manasco
Mankin
Mansfield, Mont.
Marcantonio
May
Monroney
Morgan
Morrison
Murdock
Murphy
Neely
O'Brien, Ill.
O'Brien, Mich.
O'Toole
Outland
Pace
Patman
Patterson
Peterson, Ga.
Pfeifer
Philbin
Pickett
Powell
Price, Ill.
Priest
Quinn, N. Y.
Rabaut
Rabin
Ramey
Rayfiel
Resa
Richards
Riley
Robertson, Va.
Robinson, Utah
Rogers, N. Y.
Rooney
Rowan
Ryter
Sabath
Sadowski
Sasscer
Savage
Slaughter
Smith, Va.
Somers, N. Y.
Sparkman
Spence
Starkey
Sullivan
Thom
Thomas, Tex.
Thomason
Tolan
Torrens
Traynor
Trimble
Voorhis, Calif.
Walter
Wasielewski
Welch
White
Wolverton, N. J.
Woodhouse
Worley
Zimmerman

NOT VOTING—32

Allen, La.
Andrews, N. Y.
Bunker
Cochran
Colmer
Curley
Davis
Fellows
Fisher
Gibson
Graham
Hancock
Henry
Izac
Jarman
Luce
McMillen, Ill.
Mansfield, Tex.
Miller, Calif.
Norton
O'Neal
Patrick
Peterson, Fla.
Rains
Reece, Tenn.
Rodgers, Pa.
Roe, N. Y.
Sharp
Sheppard
Sheridan
Weaver
Wilson

So the amendments were agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Graham for, with Mr. Izac against.

Mr. Hancock for, with Mr. Roe of New York against.

Mr. Andrews of New York for, with Mr. Patrick against.

Mr. McMillan of Illinois for, with Mr. Sheridan against.

Mr. Wilson for, with Mrs. Norton against.

Mr. Rodgers of Pennsylvania for, with Mr. Curley against.

Mr. Fellows for, with Mr. Bunker against.

General pairs until further notice:

Mr. Mansfield of Texas with Mr. Reece of Tennessee.

Mr. Colmer with Mrs. Luce.

Mr. Rains with Mr. Sharp.

Mr. Cochran with Mr. Henry.

Messrs. Kearney and Cox changed their votes from "nay" to "yea."

Mr. Hendricks changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

Mr. BOREN. Mr. Speaker, I rise to offer a privileged motion. In view of the lateness of the hour and the fact that there is no opportunity to get food downstairs, I move that the House do now adjourn.

The SPEAKER. The question is on the motion offered by the gentleman from Oklahoma.

The question was taken; and on a division (demanded by Mr. Boren) there were—ayes 71, noes 224.

So the motion was rejected.

The SPEAKER. The Clerk will report the next amendment on which a separate vote has been demanded.

The Clerk read as follows:

Amendment offered by Mr. Wolcott: Page 1, line 5, after section 1, insert a new section, as follows:

"Sec. 2. Notwithstanding the provisions of this act, the Stabilization Act of 1942, or the Emergency Price Control Act, as amended, no maximum price shall be established or maintained for any commodity below a price which will reflect to the producers and processors and distributors (including retailers) of such commodity the sum of (1) the current cost of producing and processing and distributing such commodity as determined by the established commercial accounting practices of the industry, and (2) a reasonable profit thereon."

The SPEAKER. The question is on the amendment.

Mr. McCORMACK. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 259, nays 137, not voting 34, as follows:

[Roll No. 90]

YEAS—259

Abernethy
Adams
Allen, Ill.
Allen, La.
Almond
Andersen, H. Carl
Anderson, Calif.
Andresen, August H.
Andrews, Ala.
Angell
Arends
Arnold
Auchincloss
Baldwin, Md.
Barden
Barrett, Wyo.
Bates, Mass.
Beall
Bell
Bender
Bennet, N. Y.
Bennett, Mo.
Bishop
Blackney
Bolton
Bonner
Boren
Boykin
Bradley, Mich.
Brehm
Brooks
Brown, Ga.
Brown, Ohio
Brumbaugh
Bryson
Buck
Buffett
Burch
Butler
Byrnes, Wis.
Camp
Campbell
Carlson
Case, N. J.
Case, S. Dak.
Chelf
Chenoweth
Chiperfield
Church
Clason
Clements
Clevenger
Clippinger
Cole, Kans.
Cole, Mo.
Cole, N. Y.
Cooley
Corbett
Cox
Cravens
Crawford
Cunningham
Curtis
Daughton, Va.
D'Ewart
Dirksen
Dolliver
Domengeaux
Dondero
Doughton, N. C.
Durham
Dworshak
Earthman
Eaton
Elliott
Ellis
Ellsworth
Elsaesser
Elston
Engel, Mich.
Engle, Calif.
Ervin
Fellows
Fenton
Fernandez
Flannagan
Fuller
Gamble
Gardner
Gary
Gathings
Gavin
Gearhart
Gerlach
Gifford
Gillespie
Gillette
Gillie
Goodwin
Gossett
Grant, Ala.
Grant, Ind.
Griffiths
Gross
Gwinn, N. Y.
Gwynne, Iowa
Hagen
Hale
Hall, Edwin Arthur
Hall, Leonard W.
Halleck
Hand
Hare
Harless, Ariz.
Harness, Ind.
Harris
Hartley
Hébert
Hedrick
Hendricks
Herter
Heselton
Hess
Hill
Hinshaw
Hobbs
Hoeven
Hoffman
Holmes, Mass.
Holmes, Wash.
Hope
Horan
Howell
Jenkins
Jennings
Jensen
Johnson, Calif.
Johnson, Ill.
Johnson, Ind.
Johnson, Okla.
Jonkman
Judd
Kearney
Keefe
Kelly, Ill.
Kerr
Kilburn
Kilday
Kinzer
Knutson
Landis
Lanham
Larcade
Latham
Lea
LeCompte
LeFevre
Lemke
Lewis
McConnell
McCowen
McDonough
McGehee
McGregor
McKenzie
McMillan, S. C.
Mahon
Maloney
Manasco
Martin, Iowa
Martin, Mass.
Mason
Mathews
Merrow
Michener
Miller, Nebr.
Mills
Mundt
Murray, Tenn.
Murray, Wis.
Norblad
Norrell
O'Hara
O'Konski
Pace
Peterson, Ga.
Philbin
Phillips
Pickett
Pittenger
Ploeser
Plumley
Poage
Price, Fla.
Ramey
Randolph
Rankin
Reed, Ill.
Reed, N. Y.
Rees, Kans.
Rich
Richards
Riley
Rivers
Rizley
Robertson, N. Dak.
Robsion, Ky.
Rockwell
Roe, Md.
Rogers, Fla.
Rogers, Mass.
Russell
Schwabe, Mo.
Schwabe, Okla.
Scrivner
Shafer
Short
Sikes
Simpson, Ill.
Simpson, Pa.
Slaughter
Smith, Ohio
Smith, Va.
Smith, Wis.
Springer
Stefan
Stevenson
Stewart
Stigler
Stockman
Sumner, Ill.
Sumners, Tex.
Sundstrom
Taber
Talbot
Talle
Tarver
Taylor
Thomas, N. J.
Thomas, Tex.
Tibbott
Towe
Vinson
Vorys, Ohio
Vursell
Wadsworth
Weichel
West
Whitten
Whittington
Wickersham
Wigglesworth
Winstead
Winter
Wolcott
Wolfenden, Pa.
Wood
Woodruff
Worley

NAYS—137

Bailey
Baldwin, N. Y.
Barrett, Pa.
Barry
Bates, Ky.
Beckworth
Biemiller
Bland
Bloom
Bradley, Pa.
Buckley
Bulwinkle
Byrne, N. Y.
Canfield
Cannon, Fla.
Cannon, Mo.
Carnahan
Celler
Chapman
Clark
Coffee
Combs
Cooper
Courtney
Crosser
D'Alesandro
Dawson
De Lacy
Delaney, James J.
Delaney, John J.
Dingell
Douglas, Calif.
Douglas, Ill.
Doyle
Drewry
Eberharter
Fallon
Feighan
Flood
Fogarty
Folger
Forand
Fulton
Gallagher
Geelan
Gordon
Gore
Gorski
Granahan
Granger
Green
Gregory
Hart
Havenner
Hays
Healy
Heffernan
Hoch
Holifield
Hook
Huber
Hull
Jackson
Johnson, Luther A.
Johnson, Lyndon B.
Kean
Kee
Kefauver
Kelley, Pa.
Keogh
King
Kirwan
Klein
Kopplemann
Kunkel
LaFollette
Lane
Lesinski
Link
Ludlow

79TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1955

PHILIPPINE TRADE ACT OF 1946

APRIL 17, 1946.—Ordered to be printed

Mr. DOUGHTON of North Carolina, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 5856]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 5, 6, and 7.

Amendments numbered 1, 2, 3, and 4:

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, and 4, and agree to the same with amendments as follows:

Omit the matter proposed to be inserted by the Senate amendments and on page 11 of the House engrossed bill strike out all after the word "exceed" in line 16 through line 21, and insert in lieu thereof the following: *952,000 short tons (the equivalent of 850,000 long tons), of which not to exceed 56,000 short tons (the equivalent of 50,000 long tons) may be refined sugars; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 476,000 short tons (the equivalent of 425,000 long tons), of which*

not to exceed 28,000 short tons (the equivalent of 25,000 long tons) may be refined sugars.

And the Senate agree to the same.

R. L. Doughton,
Jere Cooper,
John D. Dingell,
A. Willis Robertson,
Harold Knutson,
Daniel A. Reed,
Roy O. Woodruff,
Managers on the Part of the House.

David I. Walsh,
Alben Barkley,
Tom Connally,
Harry F. Byrd,
Robert M. La Follette, Jr.,
Robert A. Taft,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: The House bill fixed the quota for sugars at 850,000 short tons. The Senate amendment fixed it at 850,000 long tons. The conference agreement fixes it at 952,000 short tons, which is the same number of pounds as 850,000 long tons.

Amendments Nos. 2, 3, and 4: These are amendments dependent on the action taken with respect to amendment No. 1, and the conference agreement makes corresponding changes in the Senate amendments.

Amendments Nos. 5, 6, and 7: These are clerical amendments, and the House recedes.

R. L. Doughton,
Jere Cooper,
John D. Dingell,
A. Willis Robertson,
Harold Knutson,
Daniel A. Reed,
Roy O. Woodruff,
Managers on the Part of the House.

DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

Issued April 19, 1946
For actions of April 18, 1946
79th-2nd, No. 72

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HIGHLIGHTS: House passed price-control bill. Both Houses passed appropriation for Federal pay costs; ready for President. House agreed to conference report on Philippine trade bill; ready for President. House passed bill to make veterans' preference for surplus property next to Federal Government's. Rep. Voorhis spoke against grain for alcohol. Rep. LaFollette spoke in favor of farm cooperatives' claims for continental-shelf oil and inserted statements from big 4 farm organizations. Senate received appropriation estimate of $400,000 for farm-wage stabilization. Sen. Ferguson inserted OPA Advisory Committee's recommendation for removal of price control and subsidies on livestock and meat. Sen. Thomas (Okla.) submitted amendment to prohibit price control and other orders regarding farm products and to prohibit grain allocations without USDA approval. House adjourned until Apr. 30.

HOUSE

1. PRICE CONTROL; SUBSIDIES. Passed, 355-42, with amendments H. R. 6042, the price-control and subsidies extension bill (pp. 4051-4). Rejected, 20-370, a motion by Rep. Rankin, Miss., to recommit the bill (p. 4053). The bill, as amended, is printed in the Record (pp. 4051-3). Correction in roll call (p. 4090.

2. PAY-COST APPROPRIATIONS. Both houses passed without amendment H. J. Res. 342, which appropriates funds for 1946 costs under the Federal Employees Pay Act of 1945 (pp. 4054-61, 4047-8). This measure will now be sent to the President. It is identical with Title II of H. R. 5890, the second deficiency appropriation bill, which is now pending in the Senate Appropriations Committee.

3. PHILIPPINE TRADE BILL. Agreed to the conference report on this bill, H. R. 5856 (pp. 4061-2). This bill will now be sent to the President. Yesterday's Digest should have stated that the House received the report rather than that it agreed to it.

4. WAR DEPARTMENT CIVIL APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 5400, which includes flood-control appropriations for the War Department (pp. 4062-72). The Senate has not received the report.

5. SURPLUS PROPERTY. Passed S. 1757, to broaden veterans' preference in connection with surplus-property disposal, with an amendment substituting the language of H. R. 6157 (pp. 4075-80). For provisions see Digest 71.

6. GRAIN SHORTAGE; ALCOHOL. Rep. Voorhis, Calif., spoke against use of grain for alcohol during the shortage; inserted a letter from the Treasury Department transmitting tables showing grain used by distillers and other alcohol plants,

and presented petitions on the subject (pp. 4088, 4101).

7. PRICE CONTROL. Rep. Mansfield, Mont., expressed the hope that the Senate will "do a better job" with the price-control bill (p. 4075).

8. MINERALS; COOPERATIVES. Rep. La Follette, Ind., spoke in favor of permitting farm cooperatives to claim continental-shelf oil reserves and inserted statements on the subject by the Farm Bureau, Grange, Union, and Co-op Council (pp. 4090-6).

9. WATER COMPACT. The Irrigation and Reclamation Committee reported with amendment H. R. 4510, granting Congressional consent and approval in connection with a Colo.-N. Mex. compact regarding Costilla Creek waters (H. Rept. 1960)(p. 4100).

10. ADJOURNED until Tues., Apr. 30 (pp. 4048, 4084, 4098). Majority Leader McCormack stated that no controversial legislation is to come up before May 2, when the State, Justice, Commerce appropriation bill will be considered.

SENATE

11. APPROPRIATIONS; WAGE STABILIZATION. Received from the President a supplemental appropriation estimate of $400,000 for the agricultural wage stabilization program, 1947, with language to continue the program in the absence of other enabling legislation (S. Doc. 171) (p. 4023).

12. FARM BANKRUPTCY. Sens. McCarran, Murdock, and Revercomb were appointed conferees on H. R. 5504, to continue the Farm Bankruptcy Act (pp. 4046-7). House conferees were appointed Apr. 17.

13. LIVESTOCK SLAUGHTERING CONTROLS. Sen. Ferguson, Mich., inserted an OPA Advisory Committee on Cattle, Hogs, Beef, and Pork resolution recommending removal of price controls and subsidies from livestock and meat (p. 4024).

14. PRICE CONTROL. Sen. Thomas, Okla., submitted an amendment which he intends to proposed to S. 2028, to prohibit issuance of regulations, price schedules, orders, etc. on rationing, allocation, priorities, or prices on agricultural commodities and to prohibit grain allocations for alcohol or alcoholic beverages unless made by written approval of the Secretary of Agriculture (p. 4026).

Sen. Gossett, Idaho, criticized OPA administration and inserted an Amalgamated Sugar Co.'s letter protesting the shortage of cotton-fiber cloth needed for sugar refining (p. 4046).

15. CLOTHING PRICES. Sen. Maybank, S.C., criticized increased clothing prices, opposed OPA continuation, and inserted a newspaper article on this subject (pp. 4027-8).

16. BRITISH LOAN. Continued debate on S. J. Res. 138, to authorize the loan to Great Britain (pp. 4030-46).

Sen. Capehart, Ind., inserted an Allen County (Ind.) Republican Club resolution opposing the loan to Great Britain (p. 4024).

BILLS INTRODUCED

17. CONTRACT SETTLEMENT. S. 2079, by Sen. Wiley, Wis., to amend the act "relating to contract settlement. To Military Affairs Committee. (p. 4025.)

bureaus and agencies. It is an item that is an obligation of the Government and we have nothing to do but make the appropriation. The mechanics of how it will be done has already been explained by the gentleman from Missouri or myself under the reservation of right to object on bringing the bill up.

Are there any questions that the gentleman from Pennsylvania desires to ask?

Mr. RICH. The gentleman from Missouri made the statement that the income for 1947 was estimated to be $31,500,000,000. That was evidently made in January. I wonder if there has been any revision on that estimate from January to this time, because of the strikes and things that we are having in this country and industry being hampered, whether they expect to get that $31,500,000,000 that he figures he is going to have for a balanced budget. Personally, I do not think he is going to anywhere near approach it. But I wonder if they could figure on that amount.

Mr. TABER. Of course, in that $31,500,000,000, there were figured various estimates of various people with reference to income tax and the miscellaneous internal revenue tax.

I would imagine that unless there was some substantial change in the revenue bills, or something of that kind, that we should get that amount of revenue, because our current income-tax revenues and miscellaneous tax revenues are running quite considerably above what was originally estimated when this budget was presented the 1st of January.

Mr. RICH. That was on account of the income taxes that were paid on the 15th of March by corporations.

Mr. TABER. Well, it was to a large extent on account of the miscellaneous internal-revenue taxes going up. So many people are currently spending a great deal of money for many of those items that carry internal-revenue taxes.

The SPEAKER. The time of the gentleman from New York has expired.

Mr. TABER. Mr. Speaker, I ask unanimous consent to proceed for 2 additional minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was objection.

Mr. RICH. I would like to ask the gentleman this question: I note that soon we will take up the War Department civil functions appropriation bill, which includes millions of dollars for rivers and harbors. We are going to have all kinds of requests for assistance to States for various things. In my judgment there is no State but what is in better shape than the Federal Government to take care of its own finances. I think we should do something to discourage the States and political subdivisions from coming here and expecting the Federal Government, which is now $275,000,000,000 or more in debt, to provide the money. I think we should do something as a Congress to discourage that practice.

Mr. TABER. I would hope that something might be done along that line. I have always voted against these various schemes to increase Federal spending. On the other hand, when you have a bill like this, you have to meet it. You cannot get away from it. The House has voted probably $2,000,000,000 of expenditures that will be chargeable to 1947 in addition to what has been authorized at the time Budget was sent up here, including the Army and Navy pay raise, the Federal employees' pay raise, and all that sort of thing. Of course, we do not know what those would be, finally.

The SPEAKER. The time of the gentleman from New York has again expired.

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent that the joint resolution be considered as read.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PHILIPPINE TRADE ACT OF 1946

Mr. DINGELL. Mr. Speaker, I call up the conference report on the bill (H. R. 5856) to provide for trade relations between the United States and the Philippines, and for other purposes, and I ask unanimous consent that the statement may be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. DINGELL]?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House, April 17, 1946.)

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield for a question.

Mr. RICH. The conferees have increased the sugar quota to the Philippine Islands, raising it to 850,000 long tons. It exceeds the quota adopted by the House. Is this increase satisfactory to the sugar States, such as Louisiana and Florida, for cane, and Michigan and Colorado, for beet sugar?

Mr. DINGELL. I may say to the gentleman from Pennsylvania that, as he already knows, conferences always result in compromise. In this instance the Senate accepted the entire House bill, with the exception of substituting long tons for short tons, to conform with the 850,000 long-ton sugar quota that is now provided in the existing law. Obviously, there was no compromise possible on the figure of 850,000, it being the same in both bills, no intermediate ton exists between a long ton and a short ton, unless the committee had created a ton of its own medium ton of 2,120 pounds instead of the long ton of 2,240 pounds. That would have been the only compromise possible. So it was suggested by a member of the minority that the only way out of the dilemma was to make it 952,000 short tons, the equivalent of 850,000 long tons; in other words, we agreed to accept the original figure in the law, which also was the Senate figure. Had it not been for the war, had it not been for the devastation of the Philippines, had it not been for the need for rehabilitation of trade between the two countries, there would not have been any opportunity whatsoever to change the present tonnage in the quotas. That is one, if not the principal, reason for restoring the existing quota. I did not want to take advantage of the Filipinos in their hour of need.

I hope that answers the question of my friend, because I would not say that everybody in Colorado, Michigan, and Louisiana is satisfied or would not want to see some cut in the quota.

Mr. RICH. The only thing I am getting at now is to finally and eventually eliminate this subsidy we are paying the sugar producers in the States. Eventually it has got to stop. Are we going to give more consideration to the Philippines than we are to our own producers?

Mr. DINGELL. I believe my friend will concede that subsidies on sugar are not controlled by these figures.

Mr. RICH. Certainly it is. It is the amount we consume in this country that guarantees the price to our own sugar producers. Unless we take care of our own sugar producers they are going to be out of luck and we are going to be out of sugar.

Mr. DINGELL. I may say to my friend the question of increasing the quota for our own people is not involved in this at all. There is a great opportunity for increased quotas for years to come for our local producers in both cane and beet sugars because of the present increased per capita consumption and further because of the increase in our population.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Kansas [Mr. CURTIS] a member of the subcommittee.

Mr. CURTIS. Will the gentleman state what the amount of the Philippine sugar quota now is under this conference report?

Mr. DINGELL. As I take it to be, if the 850,000 long tons are converted into short tons it means 952,000 short tons.

Mr. CURTIS. The gentleman is not suggesting that he arrived at a compromise, is he? Is it not true that you have accepted the Senate version as to quantity?

Mr. DINGELL. I hope I have not misled anybody. That is precisely what we did; I said at the outset that the only thing that would be a compromise between the two actions would have been to split the existing long ton and short ton into a new intermediate ton of our own creation which instead of being 2,000 pounds or 2,240 pounds, would be a medium ton of 2,120 pounds. That would be the only possible compromise that could have been worked out.

Mr. CURTIS. Mr. Speaker, I realize that any attempt to defeat this conference report at the present time would be futile; consequently, I am not anxious to waste the time of the House. I do wish to state, however, that, in my opinion, this is not satisfactory to a great many people in this country. It is also my opinion that it is not for the best interests of the Philippine Islands and I think in that statement I am supported by a good many people who have spent years

in the Philippine Islands and know something about the situation.

I am also aware of certain representations made to the Senate Finance Committee, part of them off the record, by certain individuals who are interested in this bill that were totally false and misleading and known to be false at the time. As I say, the conference report cannot be held up.

Mr. DINGELL. Mr. Speaker, I may say that the gentleman from Nebraska has been most diligent in his efforts to safeguard the interests of the sugar producers in this country, in the subcommittee, and throughout the entire proceedings. He made some very effective statements and put up a very brave fight.

Mr. RICH. Mr. Speaker, will the gentleman yield further?

Mr. DINGELL. I yield to the gentleman from Pennsylvania.

Mr. RICH. Mr. Speaker, I just want to say that the House passed a bill containing 850,000 short tons. Now the conferees have agreed to 850,000 long tons. You are increasing the sugar quota of the Philippines 102,000 tons of sugar.

Mr. DINGELL. In short tons.

Mr. RICH. We are increasing it 102,000 tons over what it was.

Mr. DINGELL. No. We are not increasing it at all above what is provided under existing law. The gentleman will understand the cut was made in the House from long tons to short tons only because we considered a Philippine trade bill, but the present tonnage allowance or sugar quota for the Philippine Islands is 850,000 long tons. This action of the conferees merely restores the long tonnage. I may say to the gentleman again, lest he did not get my first explanation, that that was the only change the Senate made in the House bill. It merely restored the tonnage to 850,000 long tons, which is already in the existing law.

Mr. RICH. But, nevertheless, we are increasing it from what was passed by the House 102,000 tons.

Mr. DINGELL. That is right.

Mr. RICH. You cannot get away from that.

Mr. DINGELL. 102,000 short tons in order to restore the tonnage to existing law.

Mr. LYNCH. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from New York.

Mr. LYNCH. The 850,000 long tons is the same amount that has been in existing law for the past 20 years; is that correct?

Mr. DINGELL. That is correct.

Mr. LYNCH. It is the same amount that was in the original bill introduced by the gentleman from Missouri [Mr. Bell], chairman of the Insular Affairs Committee?

Mr. DINGELL. The gentleman's statement is uniformly correct.

Mr. REED of New York. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from New York.

Mr. REED of New York. May I say in this connection that, of course, this quota is not satisfactory to all of us, but in order to get the legislation which we felt they should have and have at once because of the independence of the Philippine Islands coming along on July 4, we had to give in a little here and there in order to get this legislation.

Mr. DINGELL. That is true. We, the members of the committee, found fault with the bill in the matter of the monopoly provisions and we found fault with it with regard to tonnage, and for other reasons, but this is one of these pressing matters. We were then, and more so now, right under the gun. Time was of the essence. July 3 is the last day on which the Philippine Commonwealth is a dependency of the United States. We had a task to perform and we just do not have any time to lose.

Mr. DURHAM. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from North Carolina.

Mr. DURHAM. Will the Philippine Commonwealth be able to meet this quota this year?

Mr. DINGELL. I doubt very much, no matter what you do here, that the Philippine Commonwealth can reach the quota in less than 3 years. But that will not affect the sugar production in this country or the amount of sugar which we can get offshore. There will be a serious shortage of sugar in the United States for some time to come, because there is a serious shortage of sugar throughout the world.

To give the gentleman an illustration the Philippine Islands, which ordinarily consume 100,000 tons of their own large and normal production, for the year 1945 produced only 13,000 tons, so they had to import 87,000 tons to actually meet their own demands. Now that is a serious all-around situation. So this quota figure has been inserted, as the members of the Committee know, because we are trying to induce the mill owners and the plantation owners to produce sugar in that country to get back to production as early as possible in order that we can rehabilitate the heroic people of that unfortunate country. And they are our friends.

Mr. RICH. Mr. Speaker, if the gentleman will yield further, the gentleman recalls distinctly, does he not, that in 1940 we destroyed 250,000 tons of sugar in Puerto Rico. We destroyed 250,000 tons of sugar in the Virgin Islands, and then you started up the rum plants there to use up sugar even in the face of that destruction. That is a terrible reflection, but that is water over the dam.

Mr. DINGELL. That may be right, but that is water over the dam.

Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

PHILIPPINE ISLANDS REHABILITATION ACT

Mr. BELL. Mr. Speaker, I call up the conference report on the bill (S. 1610) to provide for the rehabilitation of the Philippine Islands, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of April 17, 1946.)

Mr. BELL. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

WAR DEPARTMENT CIVIL FUNCTIONS APPROPRIATION BILL, 1947

Mr. KERR. Mr. Speaker, I call up the conference report on the bill (H. R. 5400) making appropriations for the fiscal year ending June 30, 1947, for civil functions administered by the War Department, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of April 15, 1946.)

Mr. KERR. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, the civil functions bill has reached its final stage for consideration. It represents the findings and conclusions of 15 Members of the House and Senate who considered it for about 6 weeks.

During the recent World War very little work was done on the items involved and very little appropriation was made for them. There still remains a large backlog of these items which will have to be considered, and they will be coming before the House before very long.

The items which appear in this bill have been authorized by law. They have been examined, surveyed, and approved by the Army engineers. All of them except a few the Budget has approved, and both the Senate and the House have approved all the items in the bill. The items in dispute have been finally agreed upon by both the Senate and House conferees, and are now before the House for its final approval.

The amount approved by the Budget originally for these items was $338,000,000. The House authorized an expenditure of $286,000,000 in respect to these items, and the Senate authorized an expenditure of $362,000,000. The conferees agreed upon the appropriation of $333,000,000, which is $5,000,000 below the Budget estimate.

In the distribution of the money carried in this bill $20,000,000 was approved by the Budget for the Florida barge canal, the Appropriations Committees of both the House and the Senate struck out this item and decided to distribute this $20,000,000 among other items in the bill

Apr.
30

[PUBLIC LAW 371—79TH CONGRESS]

[CHAPTER 244—2D SESSION]

[H. R. 5856]

AN ACT

To provide for trade relations between the United States and the Philippines, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE AND DEFINITIONS

SECTION 1. SHORT TITLE.

This Act may be cited as the "Philippine Trade Act of 1946".

SEC. 2. DEFINITIONS.

(a) For the purposes of this Act—

(1) The term "person" includes partnerships, corporations, and associations.

(2) The term "United States", when used in a geographical sense, means the States, the District of Columbia, the Territories of Alaska and Hawaii, and Puerto Rico.

(3) The term "ordinary customs duty" means a customs duty based on the article as such (whether or not such duty is also based in any manner on the use, value, or method of production of the article, or on the amount of like articles imported, or on any other factor); but does not include—

(A) a customs duty based on an act or omission of any person with respect to the importation of the article, or of the country from which the article is exported, or from which it comes; or

(B) a countervailing duty imposed to offset a subsidy, bounty, or grant; or

(C) an anti-dumping duty imposed to offset the selling of merchandise for exportation at a price less than the prevailing price in the country of export; or

(D) any tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws; or

(E) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; or the tax imposed by section 3500 of the Internal Revenue Code.

(4) The term "Philippine article" means an article which is the product of the Philippines, unless, in the case of an article

produced with the use of materials imported into the Philippines from any foreign country (except the United States) the aggregate value of such imported materials at the time of importation into the Philippines was more than twenty per centum of the value of the article imported into the United States, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the United States in effect at the time of importation of such article. As used in this paragraph the term "value", when used in reference to a material imported into the Philippines, includes the value of the material ascertained under the customs laws of the Philippines in effect at the time of importation into the Philippines, and, if not included in such value, the cost of bringing the material to the Philippines, but does not include the cost of landing it at the port of importation, or customs duties collected in the Philippines. For the purposes of this paragraph any imported material, used in the production of an article in the Philippines, shall be considered as having been used in the production of an article subsequently produced in the Philippines, which is the product of a chain of production in the Philippines in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(5) The term "United States article" means an article which is the product of the United States, unless, in the case of an article produced with the use of materials imported into the United States from any foreign country (except the Philippines) the aggregate value of such imported materials at the time of importation into the United States was more than twenty per centum of the value of the article imported into the Philippines, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the Philippines in effect at the time of importation of such article. As used in this paragraph the term "value", when used in reference to a material imported into the United States, includes the value of the material ascertained under the customs laws of the United States in effect at the time of importation into the United States, and, if not included in such value, the cost of bringing the material to the United States, but does not include the cost of landing it at the port of importation, or customs duties collected in the United States. For the purposes of this paragraph any imported material, used in the production of an article in the United States, shall be considered as having been used in the production of an article subsequently produced in the United States, which is the product of a chain of production in the United States in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(6) The term "United States duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the United States for consumption, of the Philippine article) would be applicable to a

like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(7) The term "Philippine duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the Philippines for consumption, of the United States article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(8) The term "internal tax" includes an internal fee, charge, or exaction, and includes—

(A) the tax imposed by section 2491 (c) of the Internal Revenue Code with respect to an article, merchandise, or combination, 10 per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in section 2470 of the Internal Revenue Code; and the tax imposed by section 3500 of the Internal Revenue Code; and

(B) any other tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws.

(b) For the purposes of sections 221 (b) and 321 (b), any material, used in the production of an article, shall be considered as having been used in the production of an article subsequently produced, which is the product of a chain of production in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

(c) For the purposes of paragraphs (6) and (7) of subsection (a) of this section—

(1) if an article is entitled to be imported from a foreign country free of ordinary customs duty, that country shall be considered as the country entitled to the lowest rate of ordinary customs duty with respect to such article; and

(2) a reduction in ordinary customs duty granted any country, by law, treaty, trade agreement, or otherwise, with respect to any article, shall be converted into the equivalent reduction in the rate of ordinary customs duty otherwise applicable to such article.

(d) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

TITLE II—LAWS AND PROPOSED OBLIGATIONS OF UNITED STATES

Part 1—Customs Duties

SEC. 201. FREE ENTRY OF PHILIPPINE ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, Philippine articles

entered, or withdrawn from warehouse, in the United States for consumption shall be admitted into the United States free of ordinary customs duty.

SEC. 202. ORDINARY CUSTOMS DUTIES ON PHILIPPINE ARTICLES.

(a) JULY 4, 1954–JULY 3, 1974.—The ordinary customs duty to be collected on Philippines articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined by applying the following percentages of the United States duty:

(1) JULY 4 TO DECEMBER 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) CALENDAR YEAR 1955.—During the calendar year 1955, 10 per centum.

(3) CALENDAR YEARS 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the United States duty.

(4) PERCENTAGE AFTER 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(5) EXCEPTIONS TO ABOVE RULES.—The provisions of this subsection shall not be applicable to the classes of articles referred to in section 214 (a) of Part 2 of this title (relating to quotas).

(b) PERIOD AFTER JULY 3, 1974.—The ordinary customs duty to be collected on Philippine articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined without regard to the provisions of subsection (a) of this section or of section 214.

SEC. 203. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on Philippine articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 201 and 202 (a), but shall be subject to the provisions of section 204.

SEC. 204. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to Philippine articles imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 205. EQUALITY IN DUTIES ON PRODUCTS OF PHILIPPINES.

(a) With respect to products of the Philippines, which do not come within the definition of Philippine articles, imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country (except Cuba), or collected or paid in any amount if the

duty is not imposed with respect to such like articles which are the product of any other foreign country (except Cuba).

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 2—Quotas

SEC. 211. ABSOLUTE QUOTA ON SUGARS.

(a) DEFINITION OF PHILIPPINE SUGARS.—For the purpose of this section, an article shall not be considered "Philippine sugars" unless it is a Philippine article.

(b) DEFINITION OF REFINED SUGARS.—As used in this section the term "refined sugars" has the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(c) AMOUNT OF QUOTA.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine sugars which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 952,000 short tons (the equivalent of 850,000 long tons), of which not to exceed 56,000 short tons (the equivalent of 50,000 long tons) may be refined sugars; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 476,000 short tons (the equivalent of 425,000 long tons), of which not to exceed 28,000 short tons (the equivalent of 25,000 long tons) may be refined sugars.

(d) ALLOCATION OF QUOTAS FOR UNREFINED SUGARS.—The quota for unrefined sugars, including that required to manufacture the refined sugars, established by this section, shall be allocated annually to the sugar-producing mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932, and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them, or any extension, modification, or renewal thereof.

(e) ALLOCATION OF QUOTAS FOR REFINED SUGARS.—The quota for refined sugars established by this section shall be allocated annually to the manufacturers of refined sugars in the Philippines in the calendar year 1940 whose refined sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of refined sugars produced by each such manufacturer (or in the case of such successor in interest, the amount of refined sugars produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 212. ABSOLUTE QUOTA ON CORDAGE.

(a) Definition of "Cordage".—As used in this section the term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930, as amended), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber.

(b) Definition of "Philippine Cordage".—For the purpose of this section, an article shall not be considered "Philippine cordage" unless it is a product of the Philippines.

(c) Amount of Quota.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine cordage which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 6,000,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 3,000,000 pounds.

(d) Allocation of Quotas.—The quota for cordage established by this section shall be allocated annually to the manufacturers of cordage in the Philippines in the calendar year 1940 whose cordage was exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of cordage produced by each such manufacturer (or in the case of such successor in interest, the amount of the cordage produced by his predecessor in interest) which was exported to the United States during the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines.

SEC. 213. ABSOLUTE QUOTA ON RICE.

(a) Definition of Rice.—As used in this section the term "rice" includes rice meal, flour, polish, and bran.

(b) Definition of Philippine Rice.—For the purposes of this section, an article shall not be considered "Philippine rice" unless it is a Philippine article.

(c) Amount of Quota.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of all Philippine rice which, in any calendar year may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed 1,040,000 pounds; except that during the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed 520,000 pounds.

SEC. 214. ABSOLUTE AND DUTY-FREE QUOTAS ON CERTAIN ARTICLES.

(a) Absolute Quotas.—

Amount of quota.—During the period from January 1, 1946, to July 3, 1974, both dates inclusive, the total amount of the following articles which are Philippine articles, and which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed the amounts specified as to each:

(1) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers), two hundred million cigars;

(2) Scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, as amended, six million five hundred thousand pounds;

(3) Coconut oil, two hundred thousand long tons: and
(4) Buttons of pearl or shell, eight hundred and fifty thousand gross.

During the period from January 1, 1974, to July 3, 1974, both dates inclusive, such total amount shall not exceed one-half of the amount above specified with respect to each class of articles, respectively.

(b) DUTY-FREE QUOTAS.—

(1) IN GENERAL.—Philippine articles falling within one of the classes specified in subsection (a) of this section, which during the period from January 1, 1946, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for consumption, shall be free of ordinary customs duty, in the quantities and for the periods set forth in the following table:

PERIODS [Calendar Year]	AMOUNT OF DUTY-FREE QUOTAS			
	Cigars Referred to in subsection (a) (1) [Number]	Tobacco Referred to in subsection (a) (2) [Pounds]	Coconut Oil [Long Tons]	Buttons of Pearl or Shell [Gross]
Each of Calendar Years 1946–1954	200,000,000	6,500,000	200,000	850,000
1955	190,000,000	6,175,000	190,000	807,500
1956	180,000,000	5,850,000	180,000	765,000
1957	170,000,000	5,525,000	170,000	722,500
1958	160,000,000	5,200,000	160,000	680,000
1959	150,000,000	4,875,000	150,000	637,500
1960	140,000,000	4,550,000	140,000	595,000
1961	130,000,000	4,225,000	130,000	552,500
1962	120,000,000	3,900,000	120,000	510,000
1963	110,000,000	3,575,000	110,000	467,500
1964	100,000,000	3,250,000	100,000	425,000
1965	90,000,000	2,925,000	90,000	382,500
1966	80,000,000	2,600,000	80,000	340,000
1967	70,000,000	2,275,000	70,000	297,500
1968	60,000,000	1,950,000	60,000	255,000
1969	50,000,000	1,625,000	50,000	212,500
1970	40,000,000	1,300,000	40,000	170,000
1971	30,000,000	975,000	30,000	127,500
1972	20,000,000	650,000	20,000	85,000
1973	10,000,000	325,000	10,000	42,500
1974	0	0	0	0

(2) DUTY ON IMPORTS IN EXCESS OF DUTY-FREE QUOTA.—Any such Philippine article so entered or withdrawn from warehouse in excess of the duty-free quota provided in paragraph (1) shall be subject to 100 per centum of the United States duty, despite the provisions of section 202 of this title (which provides rates of less than 100 per centum of the United States duty with respect to Philippine articles). Nothing in this subsection shall be construed as enlarging the absolute quotas provided in subsection (a) of this section.

(c) ALLOCATION OF QUOTAS.—Each of the quotas established by this section shall be allocated annually to the manufacturers in the Philippines in the calendar year 1940 of products of a class for which such quota is established, and whose products of such class were exported to the United States during such year, or their successors in interest, proportionately on the basis of the amount of the products of such class produced by each such manufacturer (or in the case of

such successor in interest, the amount of the products of such class produced by his predecessor in interest) which was exported to the United States during the calendar year 1940.

SEC. 215. LAWS PUTTING INTO EFFECT ALLOCATIONS OF QUOTAS.

The necessary laws and regulations for putting into effect the allocation of quotas on the basis provided for in sections 211, 212, and 214, respectively, shall not be enacted by the United States, it being the purpose of this title that such laws and regulations shall be enacted by the Philippines.

SEC. 216. TRANSFERS AND ASSIGNMENTS OF QUOTA ALLOTMENTS.

The holder of any allotment under existing law, including his successor in interest, and the holder of any allotment under any of the quotas established by sections 211, 212, or 214, may transfer or assign all or any amount of such allotment on such terms as may be agreeable to the parties in interest. If, after the first nine months of any calendar year, the holder of any allotment, for that year, under any of the quotas established by such sections, is or will be unable for any reason to export to the United States all of his allotment, in time to fulfill the quota for that year, that amount of such allotment which it is established by sufficient evidence cannot be so exported during the remainder of the calendar year may be apportioned by the Philippine Government to other holders of allotments under the same quota, or in such other manner as will insure the fulfillment of the quota for that year: *Provided*, That no transfer or assignment or reallocation under the provisions of this section shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

Part 3—Internal Taxes

SEC. 221. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the Philippines coming into the United States, or with respect to articles manufactured in the United States wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the United States, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the United States, or (2) with respect to materials used in the production of a like article which is the product of the United States, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the Philippines is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

(c) This section shall not apply to the taxes imposed under section 2306, 2327, or 2356 of the Internal Revenue Code.

SEC. 222. EXEMPTION FROM TAX OF MANILA FIBER.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 223. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the United States on articles exported to the Philippines.

SEC. 224. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the United States with respect to articles coming into the United States for the official use of the Philippine Government or any department or agency thereof.

Part 4—Immigration

SEC. 231. CERTAIN PHILIPPINE CITIZENS GRANTED NON-QUOTA STATUS.

(a) Any citizen of the Philippines who actually resided in the United States for a continuous period of three years during the period of forty-two months ending November 30, 1941, if entering the United States during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the United States, shall, for the purposes of the immigration laws, be considered a non-quota immigrant; and shall not be excluded from entry into the United States by reason of section 13 (c) of the Immigration Act of 1924, or by reason of so much of section 3 of the Immigration Act of 1917 as provides for the exclusion from admission into the United States of natives of a therein specified geographical area.

(b) After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the United States for permanent residence.

(c) The benefits of this section shall also apply to his wife, if a citizen of the Philippines or eligible to United States citizenship, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

(d) This section shall not apply to a citizen of the Philippines admitted to the Territory of Hawaii, without an immigration or passport visa, under the provisions of paragraph (1) of section 8 (a) of the Act of March 24, 1934 (48 Stat. 456, ch. 84).

TITLE III—OBLIGATIONS OF PHILIPPINES

Part 1—Purposes of Title

SEC. 301. STATEMENT OF PURPOSES OF TITLE.

(a) Period Until July 4, 1946.—The following Parts and sections of this title, insofar as they are applicable to the period from the date of the enactment of this Act to July 3, 1946, both dates inclusive, are intended to, and shall, operate as statutes of the United States, binding on one of its possessions.

(b) Period July 4, 1946–July 3, 1974.—The following Parts and sections of this title, although expressed in statutory form, are not in any manner intended, insofar as they are applicable to the period after July 3, 1946, as an attempt on the part of the Congress of the United States to legislate for the Republic of the Philippines as a sovereign nation, but constitute a statement in precise terms of provisions—

(1) which the Government of the Philippines, on the taking effect of the executive agreement provided for in Title IV of this Act, will be obligated to observe and execute as the law of the Republic of the Philippines during the effectiveness of the agreement; except that the observance of such part of the provisions of section 341 as is in conflict with the Constitution of the Philippines will not be required under such agreement for the period prior to the amendment to the constitution referred to in section 402 (b); and

(2) which, between the proclamation of the independence of the Philippines and the date of the taking effect of such executive agreement, will, according to the policy and expectations of the Congress of the United States, be observed and executed by the Government of the Philippines.

Part 2—Customs Duties

SEC. 311. FREE ENTRY OF UNITED STATES ARTICLES.

During the period from the day after the date of the enactment of this Act to July 3, 1954, both dates inclusive, United States articles entered, or withdrawn from warehouse, in the Philippines for consumption shall be admitted into the Philippines free of ordinary customs duty.

SEC. 312. ORDINARY CUSTOMS DUTIES ON UNITED STATES ARTICLES.

(a) July 4, 1954–July 3, 1974.—The ordinary customs duty to be collected on United States articles, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined by applying the following percentages of the Philippine duty:

(1) July 4, to december 31, 1954.—During the period from July 4, 1954, to December 31, 1954, both dates inclusive, 5 per centum.

(2) Calendar year 1955.—During the calendar year 1955, 10 per centum.

(3) Calendar years 1956–1972.—During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by 5 per centum of the Philippine duty.

(4) Percentage after 1972.—During the period from January 1, 1973, to July 3, 1974, both dates inclusive, 100 per centum.

(b) Period After July 3, 1974.—The ordinary customs duty to be collected on United States articles which after July 3, 1974, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined without regard to the provisions of subsection (a) of this section.

SEC. 313. CUSTOMS DUTIES OTHER THAN ORDINARY.

Customs duties on United States articles, other than ordinary customs duties, shall be determined without regard to the provisions of sections 311 and 312 (a), but shall be subject to the provisions of section 314.

SEC. 314. EQUALITY IN SPECIAL IMPORT DUTIES, ETC.

(a) With respect to United States articles imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes or ordinary customs duties.

SEC. 315. EQUALITY IN DUTIES ON PRODUCTS OF UNITED STATES.

(a) With respect to products of the United States, which do not come within the definition of United States articles, imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country.

(b) As used in this section the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with importation; but does not include internal taxes.

Part 3—Internal Taxes

SEC. 321. EQUALITY IN INTERNAL TAXES.

(a) With respect to articles which are products of the United States coming into the Philippines, or with respect to articles manufactured in the Philippines wholly or in part from such articles, no internal tax shall be—

(1) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the Philippines, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(2) collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

(b) Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the Philippines, or (2) with respect to materials used in the production of a like article which is the product of the Philippines, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the United States is not in excess of that permitted by paragraph (2) of subsection (a) such collection and payment shall not be regarded as in violation of subsection (a).

SEC. 322. PROHIBITION OF EXPORT TAXES.

No export tax shall be imposed or collected by the Philippines on articles exported to the United States.

SEC. 323. EXEMPTION FROM TAXES OF ARTICLES FOR OFFICIAL USE.

No processing tax or other internal tax shall be imposed or collected in the Philippines with respect to articles coming into the Philippines for the official use of the United States Government or any department or agency thereof.

Part 4—Immigration

SEC. 331. CERTAIN UNITED STATES CITIZENS GIVEN NON-QUOTA STATUS.

Any citizen of the United States who actually resided in the Philippines for a continuous period of three years during the period of forty-two months ending November 30, 1941, if entering the Philippines during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence in the Philippines, shall, for the purposes of the immigration laws, be considered a non-quota immigrant. After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to the Philippines for permanent residence. The benefits of this section shall also apply to his wife, if a citizen of the United States, and to his unmarried children under 18 years of age, if such wife or children are accompanying or following to join him during such period.

SEC. 332. IMMIGRATION OF UNITED STATES CITIZENS INTO THE PHILIPPINES.

Citizens of the United States, admissible to the Philippines under the provisions required by section 402 (e) to be included as a part of the executive agreement made under Title IV, shall be entitled to enter the Philippines, in the numbers and during the periods of years, and to remain therein for the time, specified in that part of the agreement which embodies the provisions of section 402 (e).

Part 5—Miscellaneous

SEC. 341. RIGHTS OF UNITED STATES CITIZENS AND BUSINESS ENTERPRISES IN NATURAL RESOURCES.

The disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of the Philippines, and the operation of public utilities, shall, if open to any person, be open to citizens of the United States and to all forms of business enterprise owned or controlled, directly or indirectly, by United States citizens.

SEC. 342. CURRENCY STABILIZATION.

The value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 343. ALLOCATION OF QUOTAS.

The allocation, reallocation, transfer, and assignment of quotas established by sections 211, 212, and 214, respectively, of Part 2 of Title II, shall be on the basis provided for in such Part.

TITLE IV—EXECUTIVE AGREEMENT BETWEEN UNITED STATES AND PHILIPPINES

SEC. 401. AUTHORIZATION OF AGREEMENT.

The President of the United States is authorized (except as hereinafter in this title otherwise provided) to enter into an executive agreement with the President of the Philippines providing for the acceptance on the part of each country of the provisions of Title II and of Title III (except Part 1) of this Act. The President of the United States is not authorized by this section to enter into such agreement unless it contains a provision that it shall not take effect—

(a) Unless and until the Congress of the Philippines accepts it by law; and

(b) Unless and until the Congress of the Philippines (in the act of acceptance, or separately) has enacted such legislation as may be necessary to make all the provisions of Parts 2, 3, 4, and 5 of Title III take effect as laws of the Philippines, except (during the period prior to the amendment to the Constitution of the Philippines referred to in subsection (b) of section 402) such provisions of section 341 as are in conflict with such constitution.

SEC. 402. OBLIGATIONS OF PHILIPPINES.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in the agreement the Government of the Philippines agrees—

(a) That the Republic of the Philippines will continue in effect as laws of the Philippines, during the effectiveness of the agreement, the provisions of Parts 2, 3, 4, and 5 of Title III, except (for the period prior to the amendment of the Constitution of the Philippines referred to in subsection (b) of this section) such part of the provisions of section 341 as is in conflict with such constitution.

(b) That the Government of the Philippines will promptly take such steps as are necessary to secure the amendment of the Constitution of the Philippines so as to permit the taking effect as laws of the Philippines of such part of the provisions of section 341 as is in conflict with such constitution before such amendment.

(c) That the Republic of the Philippines will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary—

(1) to supplement the legislation referred to in secton 401 (b), and to implement the provisions of Parts 2, 3, 4, and 5 of Title III; and

(2) to put and keep in effect during the effectiveness of the agreement, the allocation, reallocation, transfer, and assignment of quotas on the basis provided for in Part 2 of Title II.

(d) That the United States shall have the right to provide the basis for the allocation of the quotas established under that portion of the agreement which sets forth the provisions of section 403 (c)

of this Act, and that, if the United States exercises such right, the Republic of the Philippines will promptly enact, and keep in force during the period for which each such quota is established, such legislation as is necessary to put and keep in effect, on the basis provided by the United States, the allocation of such quotas.

(e) That there shall be permitted to enter the Philippines, without regard to any numerical limitations under the laws of the Philippines, in each of the years of a specified period of years, a specified number of citizens of the United States. The number of years (which shall not be less than five) the number of citizens of the United States (which shall not be less than one thousand) entitled to be so admitted in each year, and the length of time each shall be entitled to remain in the Philippines, shall be stated in the agreement.

(f) That the value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States.

SEC. 403. OBLIGATIONS OF UNITED STATES.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless in such agreement the Government of the United States agrees—

(a) That upon the taking effect of the agreement the provisions of Title II—

(1) if in effect as laws of the United States at the time the agreement takes effect, shall continue in effect as laws of the United States during the effectiveness of the agreement; or

(2) if not so in effect at the time the agreement takes effect (because suspended under section 502 of Title V) shall take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

(b) That the United States will promptly enact, and keep in effect during the effectiveness of the agreement, such legislation as may be necessary to supplement and implement the provisions of Title II so continued in effect, or so made to take effect, as laws of the United States.

(c) That with respect to quotas on Philippine articles (other than the quotas established in Part 2 of Title II, and other than quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles), the United States will not establish any such quota for any period before January 1, 1948; and that, for any part of the period from January 1, 1948, to July 3, 1974, both dates inclusive, it will establish such a quota only if—

(1) the President of the United States, after investigation, finds that such Philippine articles are coming, or are likely to come, into substantial competition with like articles the product of the United States; and

(2) the quota established for any Philippine article for any twelve-month period is not less than the amount determined by the President as the total amount of Philippine articles of such class which (during the twelve months ended on the last day of

the month preceding the month in which occurs the date proclaimed by the President as the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption; or, if the quota is established for any period other than a twelve-month period, is not less than a proportionate amount.

(d) That during the effectiveness of the agreement the United States will not reduce the preference of 2 cents per pound provided in section 2470 of the Internal Revenue Code (relating to processing taxes on coconut oil, etc.) with respect to articles "wholly the production of the Philippine Islands" or articles "produced wholly from materials the growth or production of the Philippine Islands"; except that it may suspend the provisions of subsection (a) (2) of such section during any period as to which the President of the United States, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States.

SEC. 404. TERMINATION OF AGREEMENT.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides—

(a) Termination in General.—That the agreement shall have no effect after July 3, 1974; and

(b) Termination by Either Party.—

(1) that the agreement may be terminated by either party at any time, upon not less than five years' notice; and

(2) that if the President of the United States or the President of the Philippines determines and proclaims that the other country has adopted or applied measures or practices which would operate to nullify or impair any right or obligation provided for in such agreement, then the agreement may be terminated upon not less than six months' notice; and

(c) Termination or Suspension by the United States.—

(1) that if the President of the United States determines that a reasonable time for the making of the amendment to the Constitution of the Philippines referred to in section 402 (b) has elapsed, but that such amendment has not been made, he shall so proclaim and the executive agreement shall have no effect after the date of such proclamation; and

(2) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, then the United States shall have the right to suspend the effectiveness of the whole or any portion of the agreement; and

(3) that if the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the discrimination which was the basis for the suspension under paragraph (2) of this subsection—

(A) has ceased, the suspension effected under paragraph (2) shall end; or

(B) has not ceased after the lapse of a time determined by the President of the United States to be reasonable, then the United States shall have the right to terminate the agreement upon not less than six months' notice.

SEC. 405. EFFECT OF TERMINATION OF AGREEMENT.

Upon the termination of the agreement as provided in section 404, the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 406. INTERPRETATION OF AGREEMENT.

The President of the United States is not authorized by section 401 to enter into such executive agreement unless it provides that the acceptance of the provisions of Titles II and III is on the understanding that the definitions, and provisions in the nature of definitions, contained in section 2 of Title I, shall apply in the interpretation of the provisions so accepted.

SEC. 407. TERMINATION OF AUTHORITY TO MAKE AGREEMENT.

Whenever the President of the United States determines that a reasonable time for the entering into, acceptance and taking effect, of the executive agreement has elapsed, but that such agreement has not taken effect, he shall so proclaim, and thereupon his authority to enter into such executive agreement shall terminate, and the provisions of Title II shall cease to have effect as laws of the United States.

SEC. 408. EFFECTIVE DATE OF AGREEMENT.

When the President of the United States determines that the executive agreement entered into under section 401 has been accepted by the Congress of the Philippines by law and that the Congress of the Philippines has enacted the legislation the enactment of which is, under section 401, a condition precedent to the taking effect of the agreement, he shall so proclaim, and in his proclamation specify the effective date of the agreement.

TITLE V—MISCELLANEOUS

SEC. 501. SUSPENSION AND TERMINATION OF AGREEMENT IN CASE OF DISCRIMINATION.

(a) Suspension.—If the President of the United States determines, after consultation with the President of the Philippines, that the Republic of the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, he shall so proclaim, and thereupon the effectiveness of the agreement, or such part thereof as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States, shall be suspended.

(b) Termination of Suspension.—If the President of the United States, after consultation with the President of the Philippines, determines that the discrimination which was the basis for the suspension under subsection (a) of this section has ceased, he shall so proclaim, and thereupon the suspension effected under subsection (a) shall end.

(c) Termination of Agreement.—If the President of the United States, after consultation with the President of the Philippines, deter-

mines that such discrimination has not ceased, after the lapse of a time determined by him to be reasonable, he shall so proclaim and give to the Philippine Government notice of the intention of the United States to terminate the agreement.

(d) Laws of the United States.—

(1) In case of suspension.—If the effectiveness of the agreement is suspended under subsection (a) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States during the period of the suspension. If the suspension is of the effectiveness of only part of the agreement, then such provisions of Title II as the President may in his proclamation under subsection (a) specify as necessary adequately to protect the interests of the United States, shall cease to have effect as laws of the United States during the period of this suspension.

(2) In case of termination.—If the agreement is terminated under subsection (c) of this section, the provisions of Title II of this Act shall cease to have effect as laws of the United States.

SEC. 502. SUSPENSION OF TITLE II.

If the President finds that, during the period after July 3, 1946, and before the taking effect of the executive agreement provided for in Title IV, the Government of the Philippines is not putting into effect, or making every effort to put into effect, to the fullest extent possible under its Constitution, the provisions of Title III of this Act, or is not providing for the allocation of quotas on the basis provided in section 211, 212, or 214, respectively, he shall so proclaim. On the day following the date of such proclamation, such provisions of Title II shall be suspended as he may in the proclamation specify as necessary in order adequately to protect the interests of the United States. Such suspension shall continue until the taking effect of the executive agreement provided for in Title IV, whereupon the suspension shall terminate and the suspended provisions shall again take effect and continue in effect as laws of the United States during the effectiveness of the agreement.

SEC. 503. CUSTOMS DUTIES ON IMPORTATIONS FROM PHILIPPINES.

Articles coming or imported into the United States from the Philippines, and Philippine products coming or imported into the United States, shall, except as otherwise provided with respect to Philippine articles by Title II of this Act during the period such title is in effect—

(1) if entered, or withdrawn from warehouse, in the United States for consumption, during the period from the day after the date of the enactment of this Act to July 3, 1946, both dates inclusive, be subject to the same duties as like articles coming or imported into the United States from foreign countries, except Cuba; and

(2) if so entered or withdrawn during the period after July 3, 1946, be subject to the same duties as like articles coming or imported into the United States from other foreign countries, except Cuba.

SEC. 504. QUOTAS ON PHILIPPINE ARTICLES.

(a) ESTABLISHMENT BY PRESIDENT.—After the executive agreement referred to in Title IV has taken effect, then whenever the President of the United States, after the investigation by the United States Tariff Commission provided for in subsection (d), finds, with respect to any Philippines articles (other than those for which quotas are established by Part 2 of Title II), that they are coming, or likely to come, into substantial competition with like articles which are the product of the United States, he shall so proclaim, and in his proclamation shall establish the total amount of such Philippine articles which may in each of specified periods be entered, or withdrawn from warehouse, in the United States for consumption. If he finds that the allocation of any quota so established is necessary to make the application of the quota just and reasonable between the United States and the Philippines, he shall, in such proclamation or a subsequent proclamation, provide the basis for such allocation.

(b) MAXIMUM AND MINIMUM QUOTAS.—No quota shall be established under subsection (a), with respect to a Philippine article, which is greater than the amount of such article which in each of such specified periods the President determines may be so entered or withdrawn from warehouse without coming into substantial competition with like articles which are the product of the United States; except that in no case shall the quota be less than the minimum amount provided in that portion of such executive agreement which sets forth the provisions of section 403 (c) (2) of this Act.

(c) DURATION OF QUOTAS.—Any quota established pursuant to this section shall become effective at such time as the President shall designate (but not before January 1, 1948), and shall continue in effect until the President, after investigation, finds and proclaims that the conditions which gave rise to the establishment of such quota no longer exist, but no such quota shall continue in effect after the termination of the executive agreement provided for in Title IV.

(d) INVESTIGATIONS BY TARIFF COMMISSION.—The United States Tariff Commission shall at the request of the President, upon resolution of either House of Congress or concurrent resolution of both Houses of Congress, upon its own motion, or when in its judgment there is good reason therefor, upon application of any interested party, make an investigation to ascertain (1) whether imports of a Philippine article (other than an article for which a quota is established by Part 2 of Title II) are coming, or are likely to come, into substantial competition with like articles which are the product of the United States; (2) what is the greatest amount of such article which may be entered, or withdrawn from warehouse, in the United States for consumption, without coming into substantial competition with like articles which are the product of the United States; and (3) the total amount of such article which (during the twelve months ended on the last day of the month preceding the month in which occurs the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption. During the course of the investigation the Commisson shall hold a public hearing, of which reasonable public notice shall be given and at which parties interested shall be afforded reasonable opportunity to be present, to produce evi-

dence, and to be heard. The Commission shall give precedence to such investigations. The Commission shall report the results of its investigations to the President, and shall send copies of such report to each House of the Congress.

SEC. 505. PROCESSING TAX ON COCONUT OIL.

(a) Exemption for Philippines.—Section 2470 (a) (2) of the Internal Revenue Code is amended by striking out the word "other" wherever it appears in clauses (A) and (B) thereof; and by inserting at the end of the paragraph a new sentence to read as follows: "The tax imposed by this paragraph shall not apply to any domestic processing after July 3, 1974."

(b) Suspension of Section 2470 (a) (2) of Internal Revenue Code.—Whenever the President, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States, he shall so proclaim, and after the date of such proclamation the provisions of section 2470 (a) (2) of the Internal Revenue Code shall be suspended until the expiration of 30 days after he proclaims that, after consultation with the President of the Philippines, he has found that such adequate supplies are so readily available.

SEC. 506. TERMINATION OF PAYMENTS INTO PHILIPPINE TREASURY.

(a) Notwithstanding the provisions of section 4 of the Act of March 8, 1902 (32 Stat. 54, ch. 140), or of section 19 of the Act of March 24, 1934 (48 Stat. 456, ch. 84), as added to such Act by section 6 of the Act of August 7, 1939 (53 Stat. 1232, ch. 502), or of the Act of November 8, 1945 (59 Stat. 577, ch. 454), or of any other provision of law, the proceeds of any duties or taxes, collected subsequent to July 3, 1946, which but for the enactment of this Act would be required to be paid into the general funds of the Treasury of the Philippines or would be held in separate or special funds and paid into the Treasury of the Philippines, shall be covered into the general fund of the Treasury of the United States.

(b) Sections 2476 and 3343 of the Internal Revenue Code are repealed, effective July 4, 1946.

SEC. 507. SPECIAL EXCISE PROVISIONS RELATING TO THE PHILIPPINES REPEALED.

(a) Section 2800 (a) (4) of the Internal Revenue Code is amended by amending the heading to read:

"(4) Alcoholic Compounds from Puerto Rico and Virgin Islands.—";

and by amending subparagraph (B) to read as follows:

"(B) Virgin Islands.—For provisions relating to tax on alcoholic compounds from the Virgin Islands, see section 3350."

(b) Sections 3340, 3341, and 3342 of the Internal Revenue Code are repealed, effective July 4, 1946.

(c) Subchapter B of Chapter 28 of the Internal Revenue Code is amended as follows:

(1) By amending the heading of such subchapter to read as follows:

"SUBCHAPTER B—PROVISIONS OF SPECIAL APPLICATION TO THE VIRGIN ISLANDS AND PUERTO RICO

(2) By striking out the heading:

"Part I—Philippine Islands"

(3) By renumbering Parts II and III of such subchapter as "Part I" and "Part II", respectively.

SEC. 508. TRADE AGREEMENTS WITH THE PHILIPPINES.

Until July 4, 1974, no trade agreement shall be made with the Philippines under section 350, as amended, of the Tariff Act of 1930, unless, prior to such time, the President of the United States has made the proclamation provided for in section 407 of this Act, or the executive agreement provided for in Title IV of this Act has been terminated.

SEC. 509. RIGHTS OF THIRD COUNTRIES.

The benefits granted by this Act, and by the executive agreement provided for in Title IV, to the Philippines, Philippine articles or products, and Philippine citizens, shall not, by reason of any provision of any existing treaty or agreement with any third country, be extended to such country or its products, citizens, or subjects.

SEC. 510. ADMINISTRATION OF TITLE II.

(a) The provisions of Parts 1, 2, and 3 of Title II shall be administered as parts of the customs and internal revenue laws of the United States.

(b) The provisions of Part 4 of Title II shall be administered as a part of the immigration laws of the United States.

SEC. 511. REPEALS.

The following parts of Acts are repealed, effective on the day following the date of the enactment of this Act:

(1) section 301 of the Tariff Act of 1930;

(2) section 6 (except subsection (g)) of the Act of March 24, 1934 (48 Stat. 456, ch. 84), as amended by the Act of August 7, 1939 (53 Stat. 1226, ch. 502); and

(3) so much of section 13 of such Act of March 24, 1934, as amended by the joint resolution of June 29, 1944 (58 Stat. 626, ch. 323), as reads as follows: "After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries:".

SEC. 512. EFFECTIVE DATE.

This Act shall take effect on the day after the date of its enactment, except Part 2 of Title II, which shall take effect as of January 1, 1946.

SEC. 513. APPLICATION OF INTERNAL REVENUE LAWS TO PUERTO RICO.

Section 9 of the Act of March 2, 1917 (39 Stat. 951, ch. 145) is amended to read as follows:

"SEC. 9. That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal revenue laws other than those contained in the Philippine Trade Act of 1946: *Provided, however*, That hereafter all taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico."

Approved April 30, 1946.